

Statement of Accounts

2018/19



North Kesteven
DISTRICT COUNCIL

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North Kesteven
DISTRICT COUNCIL

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1. North Kesteven – The place

The District of North Kesteven is a large, diverse, rural area, stretching from the Witham in the east almost to the Trent in the west and from the sparsely populated villages to the south of Sleaford to the more densely-populated Lincoln fringe in the north.

North Kesteven is one of seven districts in Lincolnshire and covers an area of 92,244 hectares (356 square miles). The District is characterised by small settlements and large areas of arable farmland; 90% of land in the district has been classified as agricultural.

There are around 100 communities in the North Kesteven District. The population of the District is 115,230. There are two towns with approximately 17,671 people in Sleaford and 13,884 in North Hykeham. Almost 40% of North Kesteven's residents live in communities in the Lincoln "fringe", the area immediately surrounding Lincoln City (including North Hykeham) and about 15% live in Sleaford. Of the remaining 45%, about half live in 57 communities with fewer than 1,000 people and the other half live in communities, not in the Lincoln fringe, with more than 1,000 people.

The market town of Sleaford has the potential for growth, with significant private sector investment related to renewable energy, retailing, employment, and heritage led regeneration, whilst North Hykeham offers significant employment and economic development opportunities as a key part of the business district for Greater Lincoln. In addition, NKDC has been allocated £2m to go towards the growth and regeneration of Sleaford.

Although as a rural district, North Kesteven has a small employment base, the number of people employed is higher than the majority of districts. 81.9% of people aged 16-64 in the District are in employment.

North Kesteven has three strategic employment locations: Teal Park, North Hykeham; Network 46 Witham St Hughs; and Sleaford Enterprise Park.

Other major employers outside these towns include the armed forces (RAF Cranwell, Waddington and Digby), and three major food processing factories - Moy Park (Anwick), Tulip (Ruskington) and Branston Potatoes (Branston). In total, there are 4,025 enterprises in NK and 89.4% of them are micro enterprises. Within North Kesteven there is a significant quantity of good quality agricultural land; over 90% of the agricultural land is classified as moderate to very good.

2. North Kesteven – The Council

Challenges

The Council faces a number of financial challenges in the coming years, some of which are shown below:

- Central Government funding is reducing year on year, and between 2010/11 and 2019/20 government grants and subsidies fell by over 50%.
- Localisation was introduced to replace lost grants and subsidies with retained Business Rates income. The Council was part of the Lincolnshire Business Rates Pilot that allowed 100% growth retention for 2018/19. However, for 2019/20 it will again return to the current 50% growth retention.
- The Government's Fair Funding Review and Spending Review are likely to have an adverse impact on the Council's resources. The outcome of this is still uncertain, but the Council is working with Central Government to ensure that the needs of the District are considered as part of this review.
- North Kesteven's population is one of the fastest growing and this brings increased demand for public services.
- The financial impact of Brexit is as yet uncertain. It could be positive or negative, but is likely to affect interest and inflation rates, labour costs and property and rental values as well as the business and tourist economies.

Management Structure

Supporting the work of Councillors is the Council's Corporate Management Team (CMT). During the financial year a senior management restructure was undertaken. This led to CMT comprising of the Chief Executive, Ian Fytche; Corporate Director and Deputy Chief Executive, Philip Roberts and the Director of Resources Russell Stone. One of the outcomes from the review was the establishment of a new position that of Economy & Place Director, Andrew McDonough. Four Heads of Services support the managerial leadership of the Council and support Elected Members of the Council in:

- Strategic Direction and Policy Advice;
- Partnerships;
- Planning the use of resources
- Operational Management and Delivery;
- Reviewing the Authority's effectiveness.

Council Employees

The Council has an establishment of 348.68 full time equivalent positions. The Council continues to deliver its People Strategy and its quest to be an employer of choice. The Council aims to deliver services directly and collaboratively and participates in a number of shared services as well competitively providing services to other Lincolnshire district councils.

Lafford Homes Limited

During 2016-17 the Council established a new housing company, Lafford Homes Limited, to deliver market housing for rent within the district. This company is 100% owned by the Council and it is anticipated that Lafford Homes Ltd will have a positive impact on the district housing requirement shortfall.

During the first 3 years of operation, Lafford Homes has made significant progress and has flexed its approach to development based on the challenges experienced. The positive aspects that the company has seen have been:

- Steam Court (33 properties) has been delivered per the original development timeline;
- The purchase of 16 existing satisfactories;
- The purchase of land at Station Road, Waddington with planning for the delivery of 44 properties;
- The completion of 7 new properties at Thorpe on the Hill due in April 2019, and;
- The completion of the purchase of 16 properties on the edge of Lincoln in progress.

Corporate Plan and Vision

Each year the Council reviews its Corporate Plan (known as the NK Plan). It has been designed with input from key stakeholder groups including Elected Members, tenants, Youth Council and partnership groups. 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 is about making a difference for people and communities in North Kesteven. It is a plan designed to ensure that the Council continues to deliver excellent services for the flourishing communities in North Kesteven, whilst tackling the main challenges facing the district

Our Communities

What we want to do.

- Implement our new leisure partnership arrangements
- Implement with partner authorities the new waste management strategy for Lincolnshire
- Continue to implement key strategies for homelessness and welfare

Our Economy

What we want to do.

- Complete the masterplan with Sleaford Moor Enterprise Park
- Take a proactive approach to the opportunities and challenges that BREXIT will pose for our local economy
- Work closely with businesses across the District and facilitate business investment

Our Environment

What we want to do.

- Fully develop our new Environment priority
- Conclude and implement the open spaces strategy
- Champion further sustainability and reduction in emissions across NK

Our Homes

What we want to do.

- Begin construction of at least 19 new council properties
- Work with developers to deliver more homes, including affordable homes, in the District
- Complete the Newfield Road regeneration scheme
- Continue to invest in accordance with the Lafford Homes business plan to acquire further properties for the local rental market
- Bring back into use at least 20 more empty homes

Performance indicators

The NK Plan covers a rolling three year period and is updated annually with the NK Plan 2019-22 approved in February 2019. The NK Plan fully aligns with the SWOT analysis for the district. Full details can be found at item 80a <https://democracy.n-kesteven.gov.uk/ieListDocuments.aspx?CId=297&MIId=7407&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 43 **key** performance indicators (KPs) in 2019/20 with a cascade thereafter. Service Performance Indicators (SPs) are set by each division's Head of Service, and reviewed and reported to Corporate Management Team (CMT) each quarter. Operational Performance Indicators (OPs) 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 both the Performance and Resources Overview and Scrutiny Panel and the Council's Executive

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Board each year. The KP Performance Framework for 2019/20 may be found at item 7 <https://democracy.nkesteven.gov.uk/ieListDocuments.aspx?CId=286&MId=7385&Ver=4>

KPs are reported on either a quarterly or annual basis dependent on the measurement frequency. Scrutiny and challenge is provided by CMT, the Performance & Resources Overview and Scrutiny Panel, and the Executive Board. The most recent quarterly report may be found at item 13 <https://democracy.nkesteven.gov.uk/ieListDocuments.aspx?CId=286&MId=6989&Ver=4>

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

The NK Plan and Performance Framework along with the key supporting evidence base are also published on the Council's website <https://www.n-kesteven.gov.uk/your-council/facts-and-figures-about-the-council/council-performance/the-nk-plan-2019-22/>

Addressing the Financial Challenges

The Medium Term Financial Strategy (MTFS) has recently been updated, demonstrating a balanced budget to 2021/22 despite anticipated further reductions in funding following the Fair Funding and Spending Review 2020 and expected increases in the demand for services over the next ten years. The following table summarises the expected 10 year budget to 2028/29 and the plans that the Council has put in place to meet expected deficits.

To ensure that the General Fund remains a balanced budget it is anticipated that there will be a continuing need for service transformation, efficiencies and other savings initiatives for the foreseeable future.

GENERAL FUND	2022/23 £ (000)	2023/24 £ (000)	2024/25 £ (000)	2025/26 £ (000)	2026/27 £ (000)	2027/28 £ (000)	2028/29 £ (000)
ORIGINAL DEFICIT (MTFS 2018/19 – 2020/21)	2,464	2,348	2,215	2,762	2,436	2,219	2,103
REVISED DEFICIT (MTFS 2019/20 – 2021/22)	1,339	1,501	1,568	2,207	1,785	1,469	1,149
Initiatives							
Review of historic underspends, budget savings and increased Fees & Charges	(925)	(925)	(925)	(1,075)	(1,075)	(1,075)	(1,075)
Workshop Occupancy	(50)	(50)	(50)	(50)	(50)	(50)	(50)
Lafford Homes	(120)	(180)	(240)	(300)	(360)	(420)	(480)
Increased Workshops	(66)	(66)	(132)	(132)	(132)	(198)	(198)
Investment in local economic schemes	(122)	(197)	(272)	(347)	(422)	(497)	(572)
Income Volatility Reserve	(56)	(83)	51	(303)	254	771	1,226
Total Initiatives	(1,339)	(1,501)	(1,568)	(2,207)	(1,785)	(1,469)	(1,149)

3. Review of the year

The Comprehensive Income and Expenditure Statement on page 15 sets out the cost of services that the Council provides as per the Council's corporate priorities. You can also find the Expenditure and Funding Analysis Statement on page 39. This analysis demonstrates how the funding available to the Council for the year 2018/19 (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 figures included within the narrative report may differ to figures subsequently included within the statements as a result of internal support service charges and a number of other accounting adjustments to meet internal reporting needs.

Financial Context of the Council

North Kesteven District Council manages cashflows and assets including:

- Collecting over £26.480 million of Business Rates only keep a small proportion;
- Collecting £62.402 million Council Tax each year again only keeping a small proportion.
- Managing a £189.289 million portfolio of land, buildings and other assets.
- Spending approximately £56.985 million each year on Council services.
- Accounting for £66.055 million per annum of fees, charges, rents, and grant funding which are used to help deliver services and keep council tax down.
- Proactively investing cash and investment balances totalling over £33.260 million.

General Fund

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 for the year:-

General Fund	Actual £'000
Corporate Priority - Service Expenditure	
Our Council	6,183
Our Communities	7,231
Our Economy	1,327
Our Environment	680
Our Homes	1,077
Sub Total	15,556
Drainage rates	491
Capital charges, interest and debt management	(4,597)
Transfer to / (from) reserves and balances	2,624
Total Council Expenditure	15,016
Payments to parish councils	2,994
Footway lighting	160
Total Spending Requirement	18,170
Funding:	
Council Tax	(8,997)
Non Domestic Rates	(8,241)
Revenue Support Grant and other grants	(1,901)
Surplus / deficit on Collection Fund	(174)
Total District Council Financing	(19,313)
(Surplus) / Deficit for year	(1,143)

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 2018/19, the approved budget for the year showed a balanced Income and Expenditure position. The actual net expenditure for the year reflected a surplus of £1.058 million. The table below provides a summary of the final outturn position for the HRA.

Housing Revenue Account	Actual Outturn £'000
Expenditure	
Repairs and maintenance	3,124
Supervision and management	2,815
Rents, rates, taxes and other charges	65
Bad debts provision	8
Debt management expenses	32
Other expenditure	773
Depreciation	2,043
Component de-recognition	1,662
Asset revaluation gain	2,222
Total Expenditure	12,744
Income	
Rental income	(14,996)
Other income	(152)
Total Income	(15,148)
Net Cost of Services	(2,404)
Capital charges and investment transactions	708
(Surplus) / Deficit in Year on Services	(1,696)
Adjustments between accounting and funding basis	(4,845)
Total appropriations and contribution to / (from) reserves	5,482
Net Operating (Surplus) / Deficit for the Year	(1,058)

Restatement of 2017/18 balances

During the year the Council adopted a new priority 'Our Environment'. As a result of this appropriate services and relevant income and expenditure have been reclassified to this priority.

Support services previously included within Net Cost of Service in the Comprehensive Income and Expenditure Statement have been removed in line with CIPFA code guidance.

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Grants have been reclassified within the Comprehensive Income and Expenditure Statement in line with the CIPFA code.

As a result of these changes 2017/18 balances have been revised with a summary table below.

Priority	2017/18			2017/18		
	Gross Expenditure			Gross Income		
	Original Value £'000	Adjustment £'000	Revised Value £'000	Original Value £'000	Adjustment £'000	Revised Value £'000
Our Council	5,821	2,169	7,990	(1,858)	653	(1,205)
Our Communities	28,933	(2,153)	26,780	(21,774)	(85)	(21,859)
Our Economy	1,622	(311)	1,311	(1,153)	213	(940)
Our Environment	-	421	421	-	(33)	(33)
Our Homes	3,369	(893)	2,476	(5,205)	2,625	(2,580)
HRA	6,245	(1,091)	5,154	(15,510)	3	(15,507)
Total	45,990	(1,858)	44,132	(45,500)	3,376	(42,124)

Capital Expenditure

The Council's capital expenditure on the provision of new or enhanced assets is largely met from reserves and borrowing but also to a lesser degree from government grants and contributions from third parties.

Capital expenditure for the financial year amounted to £9.378million as summarised as follows:

Capital Programme	Actual Outturn £'000
Housing capital programme	5,872
Non-housing capital programme	3,506
Total Capital Expenditure	9,378
Financed by:	
Capital grants and contributions	(1,518)
Council reserves	(773)
Contribution from Major Repairs Reserve	(3,929)
Capital receipts	(1,191)
Prudential borrowing	(1,967)
Total Financing	(9,378)

The Council's Capital Programme has supported continued investment in the Housing stock (both new build and enhancement), seen completion of the new Refuse Depot and seven income generating industrial workshops at Metherringham and loan financing to Lafford Homes Ltd, the Council's wholly owned housing company.

Earmarked Reserves

The Council began the year with £8.201 million in Earmarked Reserves for specific purposes across the Council's General Fund and HRA. The largest of these relates to the New Homes Bonus (£1.186 million) all of which the Council is planning to invest into infrastructure, growth and its asset base.

Use of reserves, mainly on the General Fund and Housing capital programmes, totalled £1.894 million and with a further £5.139 million being transferred to reserves gave a position at 31 March 2019 of £11.446 million in Earmarked Reserves. More details on these reserves are contained in note 10 on page 47.

Assets and Borrowing

The value of the Council's level of total long term debt outstanding as at 31 March 2019 increased by £11.915 million to £72.778 million. This achieved preferential rates for the funding of the Council's Capital Programme.

The Council's total long term assets amounted to £198.155 million, a decrease of £2.113 million on 2017/18.













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.






The Balance Sheet presents an increase in the estimated Pension Fund Reserve net liability over the 2018/19 year of £7.771 million, to £42.774 million as at 31 March 2019. 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 £42.774 million 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

Performance Indicator	Target	Actual	R.A.G
KP001 Amount of employment land developed for the delivery of jobs (hectares)	3ha	3.59ha	 Green
KP002 Number of jobs created within the district as a result of council intervention	40	137	 Green
KP003 Number of new investments in NK for regeneration projects that the Council has facilitated	10	33	 Green
KP004 Net Annual increase in the gross rateable value for Business Rates (NNDR)	2%	4.64%	 Green
KP006 Number of businesses provided with targeted advice and business support	70	203	 Green
KP007 Number of jobs safeguarded as a result of Council intervention	70	315	 Green
KP009 Per capita reduction in CO2 emissions in the district	1.8%	5.26%	 Green
KP013 Visitor numbers utilising Countryside NK's Stepping Out network, activities, and events	18,311	145,080	 Green
KP014 Visitor numbers attending NKDC's indoor leisure facilities and sports outreach services	766,255	794,328	 Green
KP015 Adult participation in sport	27%	29.8%	 Green
KP019 % of tenants satisfied with the landlord services provided by the Council	87.5%	94.6%	 Green
KP023 Maintain a five year land supply	100%	100%	 Green

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KP025 Number of affordable homes delivered (gross)	100	136	 Green
KP026 Number of private sector empty homes brought back into use for residential occupation purposes	20	20	 Green
KP028 Number of properties that do not meet the NK Homes Standard	210	172	 Green
KP029 % of customers who were able to access a service by their preferred method	90%	90%	 Green
KP030 % of residents who feel the Council provides good quality services	70%	73%	 Green
KP036 Net Annual Increase in the Council Tax Taxbase	1%	1.06%	 Green
KP037 Amount of floor space developed (sqm) for the delivery of jobs	3,000sqm	21,882sqm	 Green
KP041 % of food businesses broadly compliant with legislation	97%	98.63%	 Green
KP042 % of new homes reaching an Energy Performance Certificate level A-B	90%	96%	 Green
KP044 Number of fly tipping enforcement actions per fly tipping incident (weighted)	2.25	3.13	 Green
KP045 Percentage of properties with Category 1 or 2 hazards resolved within the year (whether through formal or informal means)	90%	100%	 Green
KP046 % of dwellings with a valid gas safety certificate	100%	100%	 Green
KP047 % of repairs completed right first time	97.5%	99.32%	 Green
KP050 Average occupancy of workshop portfolio	80%	95.67%	 Green
KP052 Average re-let time for Council Housing (calendar days) – major works voids	75 days	56.25 days	 Green
KP054 Visitor numbers attending NKDC's Whisby Natural World Centre	271,973	299,247	 Green
KP016 Visitor numbers attending NK Arts Partnership events, activities, and education including NCCD	197,286	151,394	 Red
KP020 Number of homeless cases prevented through use of housing advice and prevention tools	700	532	 Red
KP027 No of new Council homes provided	19	2	 Red
KP031 % of people who believe that the Council offers value for money	75%	54%	 Red
KP034 % of people satisfied with the way the Council runs things	75%	61%	 Red
KP043 % of residents who agree that streets are clean within the District	72%	68%	 Red
KP048 % of actual Right to Buy sales in the previous year, replaced by new homes provided in the current year	100%	34%	 Red
KP049 Total amount of current arrears (excluding direct debit payers)	£121,440	£146,341	 Red
KP051 Average re-let time for Council Housing (calendar days) – standard voids	24 days	27.26 days	 Red

4. Risks

North Kesteven District Council Strategic Risks

Risk	Impact	Mitigating Activities	Risk Score
Ineffective response to demographic change.	Failure to achieve economic growth across the district.	Delivery of the Local Plan. Infrastructure delivery through CIL. Community Plan. Sustainable urban extension promotion. Monitoring of demographic and housing information.	Green – minor financial consequences and probable likelihood as a result of the existing controls in place.
ICT not effective.	Failure of systems. Exposure to data loss. Inability to comply with legal requirements.	ICT Strategy and review process. Review of licences to assess VFM. Joint review of applications with WLDC. ICT roadmap, which sets out the investment profile for the service. Governance structure. WLDC NKDC Partnership meetings. ICT Steering Group. Heads of Service meetings. Internal and external audit work plan. Additional activities planned are: Further, embed the ICT governance arrangements with a focus on the ICT Steering Group. ICT Service Plans to be developed for each Service. Review the ICT Licences taking into account the review of licences and applications.	Amber – critical ICT consequences and probable likelihood as a result of the existing controls in place.
Ineffective delivery of key investment programmes	Programmes not delivered on time or to poor quality. Poor value for money.	Governance processes centred on project and program boards. Use of procurement advice. Financial reporting.	Low – major reputational consequences, probable likelihood as a result of the existing controls in place.

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		Value for money appraisals on individual assessments.	
A workforce that is highly skilled and motivated is not maintained.	Failure to retain key people. Failure to recruit, particularly with regard to specialist skills. Failure to plan for workforce succession as a result of retirement.	Our People Strategy. Employee Wellbeing Working Group. HR policies and procedures. Strong people focused culture. Maintenance of the IIP standard. Addition activity planned is the inclusion of the Our People Strategy on the CMT Action Plan.	Amber – critical compliance consequences, probable likelihood as a result of the existing controls in place.
Increasing or unknown financial pressure.	Failure to deliver a balanced budget either through reduced income or additional costs or a combination of both.	Production of a medium term financial strategy. Production of the Business Transformation Programme. ExCITe income generation and outcome delivery. Lincolnshire Business Rates Pool. MTFS and income assumptions. Budget process and monitoring. Scenario planning for changes in government funding system	Amber – critical infrastructure and financial consequences, probable likelihood as a result of the existing controls in place.
Failing to identify and respond to legislative and policy change.	Legislative breach.	Some systems and process in place to identify legislative requirements and change. Professional and competent staff employed to identify and respond to change. Ongoing learning and development of colleagues. Professional membership and information alerts. Engaging with legislation and policy makers. Professional legal advice External and internal audit and scrutiny Policy framework review	Green – minor compliance consequences, probable likelihood as a result of the existing controls in place.

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Failure to respond to the risks associated with plans for the UK to leave the European Union (Brexit)	Financial and resource limitations for service delivery and implementation of Council plans and strategy. Lack of clarity on the regulatory framework in relation to services such as Environmental Health etc. Economic impact in relation to jobs and investment in the district.	Engagement through the Lincolnshire Resilience Forum Weekly NKDC Brexit Planning Group Local updating and coordination of risk assessment and planning	Amber – major service delivery consequences, probable likelihood as a result of the existing controls in place.
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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.

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.
- **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
 - 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).
- **Group Accounts - Lafford Homes Ltd** – This is a summary of the transactions relating to the wholly owned subsidiary Lafford Homes Ltd.

Russell Stone
Director of Resources

CORE FINANCIAL STATEMENTS

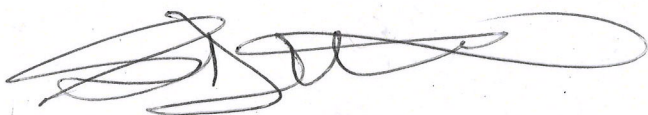
The Council's Responsibilities

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 Director of 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 2018 to 31 March 2019 has been prepared and I confirm that these accounts were approved by Audit Committee at the meeting held on 29th July 2019.



Cllr Mrs S Waring
Chairman of the Audit Committee

Chief Finance Officer's Responsibilities

The Director of 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 Director of Resources has:

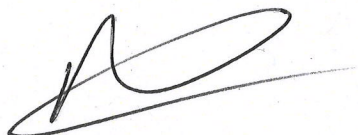
- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the local Council Code.

The Director of 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.

Director of 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 2019.



Russell Stone
Director of Resources
29th July 2019

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.

2017/18 *revised			Description		2018/19		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		Notes	£'000	£'000	£'000
7,990	(1,205)	6,785	Our Council		12,506	(3,402)	9,104
26,780	(21,859)	4,921	Our Communities		26,972	(20,455)	6,517
1,311	(940)	371	Our Economy		2,140	(953)	1,187
421	(33)	388	Our Environment		436	(32)	404
2,476	(2,580)	(104)	Our Homes		3,164	(2,686)	478
5,154	(15,507)	(10,353)	HRA		11,767	(15,371)	(3,604)
44,132	(42,124)	2,008	Cost of Services		56,985	(42,899)	14,086
1,522	(2,013)	(491)	(Gains) / loss on non current asset disposal		1,649	(2,071)	(422)
2,849	-	2,849	Parish council precepts		2,994	-	2,994
160	-	160	Street lighting special expense		163	(2)	161
455	-	455	Internal drainage board precepts	26	490	-	490
407	-	407	Contribution of housing capital receipts to government pool		402	-	402
5,393	(2,013)	3,380	Other Operating Expenditure		5,698	(2,073)	3,625
-	-	-	Movement in assets held at FVPL	13.2	-	(34)	(34)
2,204	-	2,204	Interest payable and similar charges	13.2	2,235	(18)	2,217
-	(319)	(319)	Interest and investment income	13.2	-	(463)	(463)
-	-	-	Adjustment Net interest on the defined benefit liability (asset)		388	(242)	146
2,335	(1,452)	883	Net interest on the defined benefit liability (asset)	30.2	2,582	(1,610)	972
4,539	(1,771)	2,768	Financing and Investment Income and Expenditure		5,205	(2,367)	2,838
-	(8,574)	(8,574)	Demand on the Collection Fund		-	(9,012)	(9,012)
7,674	(12,539)	(4,865)	Redistributed business rates		10,196	(19,284)	(9,088)
-	(1,147)	(1,147)	Section 31 grants	25	-	(1,958)	(1,958)
-	(3,362)	(3,362)	General government grants		-	(1,902)	(1,902)
-	(359)	(359)	Capital grants and other contributions			(699)	(699)
7,674	(25,981)	(18,307)	Taxation and Non Specific Grant Income and Expenditure		10,196	(32,855)	(22,659)
61,738	(71,889)	(10,151)	(Surplus) / Deficit on the Provision of Services		78,084	(80,194)	(2,110)
36	(1,915)	(1,879)	Surplus or deficit on revaluation of non current assets		496	(716)	(220)
177	(1,855)	(1,678)	Actuarial gains / losses on pension assets / liabilities	30.2	8,267	(3,286)	4,981
34		34	Surplus/deficit on available for sale assets		-	-	0
247	(3,770)	(3,523)	Other Comprehensive Income and Expenditure		8,763	(4,002)	4,761
61,985	(75,659)	(13,674)	Total Comprehensive Income and Expenditure		86,847	(84,196)	2,651

* 2017/18 balances have been revised due to the introduction of a new priority 'Our Environment' and the exclusion of support service recharges from the Net cost of service in line with the CIPFA Code.

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

Movement in Reserves (MIRS) 2017/18	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Major Repairs (MRR) £'000	Grants & Cont'n's Unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2017	(1,203)	(7,282)	(750)	(5,297)	(396)	(1,294)	(16,222)	(71,609)	(87,831)
(Surplus) or deficit on Comprehensive Income & Expenditure Statement (CIES)	(2,304)	-	(7,847)	-	-	-	(10,151)	-	(10,151)
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	(3,523)	(3,523)
Total CIES	(2,304)	-	(7,847)	-	-	-	(10,151)	(3,523)	(13,674)
Adjustments Between Accounting Basis and Funding Basis Under Regulations									
Amortisation on intangible non current assets	(25)	-	-	-	-	-	(25)	25	-
Charges for depreciation and impairment of non-current assets	(997)		(2,016)				(3,013)	3,013	-
Derecognition - others			(1,730)				(1,730)	1,730	-
Impairment reversals to the CIES			1,392				1,392	(1,392)	-
Impairment of non current assets			(1,279)				(1,279)	1,279	-
Revaluation gains / losses to the CIES	(13)		2,933				2,920	(2,920)	-
Depreciation written out of CIES on revaluation	106		1,972				2,078	(2,078)	-
Major Repairs Reserve (MRR) used to finance capital expenditure				2,981			2,981	(2,981)	-
Voluntary HRA contribution to MRR			2,103	(2,103)			-	-	-
MRR repayment of principal to Capital Adjustment Account				2,086			2,086	(2,086)	-
Capital grant receipts in year	844		278		(264)		858	(858)	-
Capital grants used from balances	80						80	(80)	-
Capital grants receipts used in year	(4)				4		-	-	-
Mandatory HRA contribution to MRR			2,016	(2,016)			-	-	-
Revenue expenditure funded from capital under statute	(602)						(602)	602	-
Non-current assets written off on disposal/sale as part of the gain/loss	(9)		(1,513)				(1,522)	1,522	-
Payments to the Government receipts pool	(407)					407	-	-	-
Transfer of cash proceeds as part of the gain / loss on disposal to the CIES	13		2,000			(2,013)	-	-	-
Use of the Capital Receipts Reserve to finance capital expenditure						2,123	2,123	(2,123)	-
Reversal of items relating to retirement benefits debited or credited to the CIES	(3,302)		(753)				(4,055)	4,055	-
Employer's pensions contributions and direct payments to pensioners payable	1,548		340				1,888	(1,888)	-
Minimum Revenue Provision (MRP)	465						465	(465)	-
Capital expenditure charged to balances		2,529					2,529	(2,529)	-
Collection Fund adjustment	777						777	(777)	-
Other adjustments						(8)	(8)	8	
Sub Total	(1,526)	2,529	7,829	(1,138)	(260)	509	7,943	(7,943)	-
Net Increase / Decrease before Transfers to Earmarked Reserves	(3,830)	2,529	(18)	(1,138)	(260)	509	(2,208)	(11,466)	(13,674)
Transfers to / from Reserves	3,430	(3,449)	18	-		-	(1)	1	-
(Increase) / Decrease in Year	(400)	(920)	-	(1,138)	(260)	509	(2,209)	(11,465)	(13,674)
Balance at 31 March 2018	(1,603)	(8,202)	(750)	(6,435)	(656)	(785)	(18,431)	(83,074)	(101,505)

CORE FINANCIAL STATEMENTS

Movement in Reserves (MIRS) 2018/19	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Major Repairs (MRR) £'000	Grants & Cont'n's Unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2018	(1,603)	(8,202)	(750)	(6,435)	(656)	(785)	(18,431)	(83,074)	(101,505)
(Surplus) or deficit on Comprehensive Income & Expenditure Statement (CIES)	(810)	-	(1,300)	-	-	-	(2,110)	-	(2,110)
Expenditure	-	-	-	-	-	-	-	4,761	4,761
Total CIES	(810)	-	(1,300)	-	-	-	(2,110)	4,761	2,651
Adjustments Between Accounting Basis and Funding Basis Under Regulations									
Amortisation on intangible non current assets	(25)						(25)	25	-
Charges for depreciation and impairment of non-current assets	(1,023)		(2,043)				(3,066)	3,066	-
Derecognition - others			(1,662)				(1,662)	1,662	-
Impairment reversals to the CIES			1,279				1,279	(1,279)	-
Impairment of non current assets	(31)		(433)				(464)	464	-
Revaluation gains / losses to the CIES	(3,105)		(5,062)				(8,167)	8,167	-
Depreciation written out of CIES on revaluation			1,994				1,994	(1,994)	-
Major Repairs Reserve (MRR) used to finance capital expenditure				3,929			3,929	(3,929)	-
Voluntary HRA contribution to MRR			2,318	(2,318)			-	-	-
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	88				(88)		-	-	-
Capital grants used from balances					23		23	(23)	-
Capital grants receipts used in year	822		673				1,495	(1,495)	-
Mandatory HRA contribution to MRR			2,043	(2,043)			-	-	-
Revenue expenditure funded from capital under statute	(797)						(797)	797	-
Non-current assets written off on disposal/sale as part of the gain/loss	(500)		(1,149)				(1,649)	1,649	-
Payments to the Government receipts pool	(402)					402	-	-	-
Transfer of cash proceeds as part of the gain / loss on disposal to the CIES	513		1,558			(2,071)	-	-	-
Use of the Capital Receipts Reserve to finance capital expenditure						1,191	1,191	(1,191)	-
Reversal of items relating to retirement benefits debited or credited to the CIES	(4,244)		(757)				(5,001)	5,001	-
Employer's pensions contributions and direct payments to pensioners payable	1,851		361				2,212	(2,212)	-
Minimum Revenue Provision (MRP)	528						528	(528)	-
Capital expenditure charged to balances	686	-	88				774	(774)	-
Collection Fund adjustment	2,645						2,645	(2,645)	-
Movement In Assets Held At Fair Value through Profit & loss	34						34	(34)	-
Holiday Pay (transferred to the accumulated absence account)	(171)		(34)				(205)	205	-
Other adjustments						(2)	(2)	2	-
Sub Total	(3,131)	-	1,260	(432)	(65)	(480)	(2,848)	2,848	-
Net Increase / Decrease before Transfers to Earmarked Reserves	(3,941)	-	(40)	(432)	(65)	(480)	(4,958)	7,609	2,651
Transfers to / from Reserves	3,204	(3,244)	40	-		-	-	-	-
(Increase) / Decrease in Year	(737)	(3,244)	19	(432)	(65)	(480)	(4,958)	7,609	2,651
Other	1			1	(2)		-	-	-
Balance at 31 March 2019	(2,339)	(11,446)	(750)	(6,866)	(723)	(1,265)	(23,389)	(75,465)	(98,854)

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'.

2017/18 £'000	Description	Notes	2018/19 £'000
	Non Current Assets		
	Property, Plant and Equipment	Notes	
192,436	Property, Plant and Equipment	11	188,602
614	Heritage assets		620
91	Intangible assets		67
193,141	Total Non Current Assets		189,289
7,114	Non property investments	13	8,855
13	Long term debtors	13	11
200,268	Total Long Term Assets		198,155
	Current Assets		
381	Assets held for sale	12	347
15,105	Short term investments	13	13,077
68	Inventories		70
7,715	Short term debtors	14	5,913
6,371	Cash and cash equivalents	15	11,328
29,640	Total Current Assets		30,735
229,908	Total Assets		228,890
	Current Liabilities		
(1,942)	Cash and cash equivalents	15	-
(15,382)	Short term borrow ing	13	(2,439)
(9,839)	Short term creditors	16	(8,651)
(100)	Short term developers' contributions (s106)	26	(114)
(1,877)	Provisions	17	(405)
(29,140)	Total Current Liabilities		(11,609)
(60,863)	Long term borrow ing	13	(72,778)
(3,281)	Developers' contributions (s106)	26	(2,089)
(115)	Deferred liabilities		(786)
(35,003)	Net pension liability	30.3	(42,774)
(99,262)	Total Long Term Liabilities		(118,427)
(128,402)	Total Liabilities		(130,036)
101,506	Net Assets		98,854
	Financed by:		
1,602	General Fund balance	MIRS	2,339
8,201	Earmarked reserves	10	11,446
6,435	Major Repairs Reserve		6,866
750	Housing Revenue Account balance	MIRS	750
785	Usable capital receipts		1,266
657	Capital grants, developer contributions and others unapplied		723
18,430	Usable Reserves		23,390
12,352	Revaluation reserve	19	12,397
-	Accumulated Absence Reserve		(205)
(35,003)	Pensions reserve	19	(42,774)
105,915	Capital adjustment account	19	103,557
(34)	Financial Instruments Adjustment account		-
13	Deferred capital receipts		11
(167)	Collection Fund adjustment account	19	2,478
83,076	Unusable Reserves		75,464
101,506	Total Reserves		98,854

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.

2017/18	Description	Notes	2018/19
£'000			£'000
10,151	Net surplus or (deficit) on the provision of services		2,109
694	Adjustment to surplus or deficit on the provision of services for non cash movements	19 (Note A)	15,594
9,784	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	19 (Note A)	(3,658)
20,629	Net Cash Flow from Operating Activities		14,045
(24,895)	Net Cash Flow from Investing Activities	20 (Note C)	(3,872)
8,095	Net Cash Flow from Financing Activities	21 (Note D)	(3,274)
3,829	Net Increase or (Decrease) in Cash and Cash Equivalents		6,899
600	<i>Cash and cash equivalents at the beginning of the reporting period</i>		4,429
4,429	<i>Cash and cash equivalents at the end of the reporting period</i>	21 (Note E)	11,328

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1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which 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 2018/19 (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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations of the contract.
- 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 highly liquid 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 Ministry of Housing, Communities and Local Government 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 (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and Non Domestic Rates (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.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payment due under the statutory arrangements will not be made, the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

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 wages and 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 wage and salary rates applicable in the following accounting year, being the period in which employee 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.

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:

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

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

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

Financial Assets Measured at Amortised Cost

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

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

Expected Credit Loss Model

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

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

The Council has a substantial amount of investments and employs treasury management advisers in addition to full time professional staff. However, reasonable and verifiable information to support the measurement of lifetime losses on individual instruments is not available without undue cost or effort. Losses are mainly assessed for the portfolio on a collective basis.

The Council has grouped the loans into four groups for assessing loss allowances:

- Group 1 – Commercial investments in line with treasury management policy including counterparties that have external credit ratings of A or better. Loss allowances will be assessed on a group basis using the simplified approach of collective assessment.
- Group 2 – Loans to related parties such as the wholly owned Lafford Housing Company. Loss allowances for these loans are assessed on an individual basis and / or an individual borrower basis.
- Group 3 – CCLA pooled property investment funds. Loss allowance will be assessed on market value of the investment in the fund.
- Group 4 – Money Market funds. Loss allowance will be assessed on market value of the investment in the fund.

Financial Assets Measured at Fair Value through Profit or Loss

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

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

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

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

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

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 Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets. The Council's collections of heritage assets are accounted for as follows.

The Cube, The Sail and Civic regalia are measured at historic cost or insurance valuation.

Mrs Smith's Cottage and Cogglesford Mill are held at Current value (Existing use Value) or 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:

- 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.

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The council collects the

levy, which is a planning charge on behalf of the County and Parish Councils. The income from the levy will be used to fund a number of infrastructure projects to support the development of the area.

As a collecting authority, other than an element of the charge being credited to the Comprehensive Income and Expenditure Account for administration costs, the income does not belong to North Kesteven District Council and therefore will be held on the Balance Sheet until paid over to the relevant bodies.

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.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other ventures, with the assets being used to obtain benefits for the ventures. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

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 excluded from the Comprehensive Income and Expenditure Statement in line with code guidance.

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
- assets under construction –historical cost
- Community assets – current value (Existing Use Value)
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market's perspective
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV) or 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, local taxation, retirement and employee 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.

1.23 Fair Value Measurement

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

the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) has introduced changes to accounting standards, which will be required from 1 April 2019.

- Amendments to IAS 40 *Investment Property: Transfers of Investment Property*;
- *Annual Improvements to IRFS Standards 2014-2016 Cycle*;
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*;
- IFRIC 23 *Uncertainty over Income Tax Treatments*;
- Amendments to IFRS 9 *Financial Instruments: Prepayment Features with Negative Compensation*.

It is not anticipated that the above changes will have a material impact on the information provided in the financial statements, i.e. there is unlikely to be material change to the reported information in the net cost of services or the Surplus or Deficit on the Provision of Services.

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 still unclear of the impact this decision may have on this Council and Local Government as a whole.
- An additional factor that has had a demonstrable impact in the past few years on the accounts concerns the assumptions surrounding pensions and the likelihood of legislative change and the impact of such change. The sensitivity analysis at note 30.4 estimates the likely impact of changes to the assumptions used when reporting the pension liability.

All of these issues are being kept under regular review as the Medium Term Financial Strategy is being developed for 2019/20 onwards.

Note 4	Assumptions made about the future and other major sources of Estimation Uncertainty
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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 31st March 2019 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 (Asset £189.289m)	<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 £190,000 and for HRA Assets would increase by £43,000</p>
Business Rates (Liability £0.403m)	<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 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 2019</p>	<p>The estimate has been calculated using the latest Valuation Office (VOA) ratings list of appeals and the Analyse Local recommended appeals values. An analysis of successful appeals to date has been completed and the suggested provision reduced accordingly to arrive at a provision figure for 31st March 19. The Council's share of the balance of business rate appeals provisions held at this date amounted to £0.4million this was a decrease of £1.5million from the previous year.</p>
Pensions Liability (£42,774k as at 31 March 2019)	<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</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</p>

	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.	pension liability of £11.509 million. Additional sensitivity analysis is presented at Note 30.4 to the accounts.
Arrears (Asset £7.6m)	<p>When arriving at the closing balances for debtors these are shown at net of an estimated provision for bad debts.</p> <p>At 31st March 2019, the Council had a balance of debtors of £7.6m. A review of significant balances suggested that an impairment of doubtful debts of 22% (£1.7m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.</p>	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1.7m to be set aside as an allowance.

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 were authorised for issue by the Director of Resources on 29th July 2019. 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 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 7	Expenditure Funding Analysis
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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.

2017/18 *revised due to new priority			Description	2018/19		
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
5,993	792	6,785	Our Council	6,668	2,436	9,104
3,293	1,628	4,921	Our Communities	4,371	2,146	6,517
305	66	371	Our Economy	325	862	1,187
359	29	388	Our Environment*	368	36	404
(251)	147	(104)	Our Homes	130	348	478
(9,330)	(1,023)	(10,353)	HRA	(9,792)	6,188	(3,604)
369	1,639	2,008	Net Cost of Service	2,070	12,016	14,086
(4,216)	(7,943)	(12,159)	Other income and expenditure	(6,051)	(10,145)	(16,196)
(3,847)	(6,304)	(10,151)	Surplus or Deficit	(3,981)	1,871	(2,110)
			Opening General Fund and HRA balance at 31 March 2018	(2,353)		
(1,953)			(Surplus) or deficit on General Fund and HRA balance in year	(3,981)		
(3,848)			Transfer to reserves	3,244		
3448			other adjustments	1		
0			Closing General Fund and HRA Balance at 31 March 2019**	(3,089)		
(2,353)						

* 2017/18 balances have been revised due to the introduction of a new priority 'Our Environment' and the exclusion of support service recharges from the Net Cost of Service in line with the CIPFA Code

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

Note 7A	Note to the Expenditure and Funding Analysis
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Adjustment between Funding and Accounting Basis 2017/18*revised				
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	129	663	-	792
Our Communities	1,351	277	-	1,628
Our Economy	22	44	-	66
Our Environment*	26	3	-	29
Our Homes	2	145	-	147
HRA	(1,272)	249	-	(1,023)
Net cost of services	258	1,381	-	1,639
Other income and expenditure from the Expenditure and Funding analysis	(1,286)	786	(7,443)	(7,943)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the provision of services	(1,028)	2,167	(7,443)	(6,304)

* 2017/18 balances have been revised due to the introduction of a new priority 'Our Environment' and the exclusion of support service recharges from the Net cost of service in line with the CIFFA Code.

Adjustment between Funding and Accounting Basis 2018/19				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes (Note 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	1,888	483	65	2,436
Our Communities	1,526	564	56	2,146
Our Economy	766	84	12	862
Our Environment	25	10	1	36
Our Homes	2	308	38	348
HRA	5,927	228	33	6,188
Net cost of services	10,134	1,677	205	12,016
Other income and expenditure from the Expenditure and Funding Analysis	(1,603)	1,112	(9,654)	(10,145)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the provision of services	8,531	2,789	(9,449)	1,871

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.

Note 7B	Segmental Income
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Income received on a segmental basis is analysed below:

Description	Income Area	2017/18	2018/19
		Income from Services £000s	Income from Services £000s
Our Council	Payroll	(71)	(72)
Our Communities	Building Control	(264)	(285)
Our Communities	Planning Fees	(984)	(905)
Our Economy	Workshop Income	(481)	(530)
Our Economy	Car Park Income	(362)	(357)
Our Environment	Garden Waste Collection	(985)	(1,005)
Our Environment	Licensing	(107)	(106)
Our Homes	Land Charges	(134)	(113)
HRA	House and Garage Rents	(15,035)	(14,934)
Total		(18,423)	(18,307)

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

Expenditure / Income	2017/18*revised	2018/19
Expenditure		
Employee benefits expenditure	13,097	14,696
other services expenditure	30,776	31,381
Depreciation, amortisation, impairment and revaluations **	(343)	10,111
Revenue funding of capital expenditure	602	797
Interest payments	3,088	3,335
Precepts and levies	3,464	3,645
Payments to Housing capital receipts pool	407	402
(Gain)/loss on the disposal of assets	(491)	(422)
Total Expenditure	50,600	63,945
Income		
Fees, charges and other service income	(4,090)	(4,844)
House and garage rents	(15,035)	(14,934)
Green Waste collection	(985)	(1,005)
Planning Fees	(984)	(905)
S106 draw down	(189)	(2,192)
Movement in assets held at FVPL	-	(34)
Interest and investment income	(319)	(463)
Income from Council Tax, non domestic rates, district rate income	(14,586)	(18,099)
Government grants and contributions	(24,563)	(23,579)
Total Income	(60,751)	(66,055)
Surplus or Deficit on the Provision of Services	(10,151)	(2,110)

* 2017/18 balances have been revised due to the introduction of a new priority 'Our Environment' and the exclusion of support service recharges from the Net cost of service in line with the CIPFA Code.

** 2017/18 included a significant revaluation gain relating to Council Dwellings

Note 9	Adjustments between Accounting Basis and Funding Basis under Regulations
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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 16.

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.

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 2018/19.

	Balance at 31.03.17	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31.03.18	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31.03.19
General Fund Earmarked Revenue	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Access to Services Reserve	2	2	-	-	-	-	-
Apprentice Reserve	19	19	-	-	-	-	-
Business Transformation Reserve	65	65	-	-	-	-	-
Capital Reserve	716	8	100	808	86	100	822
Capital Refuse Replacement Reserve	64	-	423	487	577	433	343
Community Right to Challenge Reserve	46	46	-	-	-	-	-
Corporate Training and Development Reserve	4	4	-	-	-	-	-
Development Framework Reserve	72	72	-	-	-	-	-
Early Retirement, Redundancy and Equal Pay Reserve	109	109	-	-	-	-	-
Earmarked Expenditure Reserve	133	133	161	161	161	43	43
Eastgate Car Park Equipment Reserve	47	47	-	-	-	-	-
Environmental Reserve	26	6	40	60	50	50	60
Exceptional Witness Reserve	2	2	-	-	-	-	-
Greater Lincoln Transport Strategy Reserve	546	546	-	-	-	-	-
Housing and Planning Delivery Grant Reserve	334	334	-	-	-	-	-
Housing Services Reserve	534	49	-	485	97	-	388
Income Volatility Reserve	1,062	547	313	828	-	624	1,452
Invest to Save Reserve	269	-	50	319	-	-	319
Local Election Reserve	47	-	116	163	18	58	203
Monitoring Officer Investigations Reserve	21	-	-	21	-	-	21
New Homes Bonus Reserve	1,122	2,283	2,347	1,186	55	1,855	2,986
NK Fund Reserve	6	6	-	-	-	-	-
Refuse Vehicle Repair Reserve	47	47	-	-	-	-	-
Our Communities	-	-	46	46	30	45	61
Our Communities - Homelessness Reserve	41	95	174	120	30	169	259
Our Council	222	27	510	705	140	67	632
Our Council - ICT Reserve	489	208	100	381	111	136	406
Our Economy	444	232	703	915	31	618	1,502
Our Homes	-	-	752	752	23	296	1,025
Renewals Reserve	290	144	240	386	230	350	506
Uninsured Claims Reserve	187	-	24	211	-	-	211
Village Halls and Playing Fields Reserve	10	10	-	-	-	-	-
Wheeled Bin Replacement Reserve	40	40	-	-	-	-	-
Whisby Car Parking Reserve	59	59	-	-	-	-	-
Total General Fund Earmarked Reserves	7,075	5,140	6,099	8,034	1,639	4,844	11,239
HRA Earmarked Reserves							
HRA Affordable/Target Rents Reserve	-	49	49	-	88	88	-
HRA Earmarked Expenditure Reserve	206	206	167	167	167	207	207
Total HRA Earmarked Reserves	206	255	216	167	255	295	207
Total Earmarked Reserves	7,281	5,395	6,315	8,201	1,894	5,139	11,446

Note 11**Property, Plant and Equipment**

	Operational assets						Non-operational assets			Assets
2017/18	Council Dwellings	Other Land and Buildings	Vehicles Plant and Equipment	Infrastructure Assets	Community Assets	Total	Surplus Assets	Assets Under Construction	Total	Grand Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation										
Gross book value as at 1 April 2017	153,558	20,282	5,316	1,200	379	180,735	285	3,829	4,114	184,849
Additions	2,096	7	4	-	-	2,107	-	9,185	9,185	11,292
Derecognition - Disposals	(1,532)	-	(13)	-	-	(1,545)	-	-	-	(1,545)
Derecognition - Other	(1,730)	-	(386)	-	-	(2,116)	-	-	-	(2,116)
Reclassifications	18	988	-	(454)	-	552	(210)	(102)	(312)	240
Revaluation increases/(decreases) recognised in the surplus/deficit of services	2,934	(13)	-	-	-	2,921	-	-	-	2,921
Revaluation increases/(decreases) recognised in the revaluation reserve	-	1,381	-	-	-	1,381	-	-	-	1,381
GBV At 31 March 2018	155,344	22,645	4,921	746	379	184,035	75	12,912	12,987	197,022
Depreciation										
Accumulated depreciation & Impairment	(1,392)	-	(3,057)	(225)	-	(4,674)	-	-	-	(4,674)
Charge for year	(1,992)	(485)	(479)	(50)	-	(3,006)	-	-	-	(3,006)
Depreciation written out to the Revaluation Reserve	-	492	-	-	-	492	-	-	-	492
Depreciation written out to the Surplus/Deficit on provision of services	1,972	106	-	-	-	2,078	-	-	-	2,078
Impairments (losses)/reversals recognised in the Revaluation Reserve	113	-	-	-	-	113	-	-	-	113
Derecognition - Other	-	-	388	-	-	388	-	-	-	388
Derecognition - Disposals	19	-	4	-	-	23	-	-	-	23
Reclassifications	-	(113)	-	113	-	-	-	-	-	-
At 31 March 2018	(1,280)	-	(3,144)	(162)	-	(4,586)	-	-	-	(4,586)
Balance sheet at 31 March 2018	154,064	22,645	1,777	584	379	179,449	75	12,912	12,987	192,436
Balance sheet at 31 March 2017	152,166	20,282	2,260	975	379	176,062	285	3,829	4,114	180,176

Nature of Asset Holding										
Owned	154,064	22,476	1,600	584	379	179,103	75	12,912	12,987	192,090
Finance lease	-	169	177	-	-	346	-	-	-	346
Balance sheet at 31 March 2018	154,064	22,645	1,777	584	379	179,449	75	12,912	12,987	192,436

	Operational assets						Non-operational assets			Assets
2018/19	Council Dwellings	Other Land and Buildings	Vehicles Plant and Equipment	Infrastructure Assets	Community Assets	Total	Surplus Assets	Assets Under Construction	Total	Grand Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation										
Gross book value as at 1 April 2018	155,344	22,645	4,921	746	379	184,035	75	12,912	12,987	197,022
Additions	1,832	780	683	-	-	3,295	85	4,273	4,358	7,653
Derecognition - Disposals	-	(500)		-	-	(500)	-	-	-	(500)
Derecognition - Others	(1,662)		(1,340)	-	-	(3,002)	-	(31)	(31)	(3,033)
Reclassifications	6,977	4,404			(6)	11,375	512	(11,887)	(11,375)	-
Revaluation increases / (decreases) recognised in the surplus/deficit of services	(5,062)	(3,088)	-	-	-	(8,150)	(124)	-	(124)	(8,274)
Revaluation increases / (decreases) recognised in the revaluation reserve	-	(221)	-	13	66	(142)	(78)	-	(78)	(220)
Assets reclassified (to) / from Held for Sale	(1,131)					(1,131)			-	(1,131)
GBV At 31 March 2019	156,298	24,020	4,264	759	439	185,780	470	5,267	5,737	191,517
Depreciation and Impairment										
Accumulated depreciation & Impairments	(1,279)	-	(3,145)	(162)	-	(4,586)	-	-	-	(4,586)
Charge for year	(2,010)	(530)	(491)	(24)	-	(3,055)	-	-	-	(3,055)
Depreciation written out to the Revaluation Reserve		416	-	-	-	416	7	-	7	423
Depreciation written out to the Surplus/Deficit on provision of services	1,994	107	-	-	-	2,101	-	-	-	2,101
Impairments (losses)/reversals recognised in the Surplus/Deficit on provision of services	846		-	-	-	846	-	-	-	846
Derecognition - Other	-	-	1,340	-	-	1,340	-	-	-	1,340
Derecognition - Disposals	-	-		-	-	-	-	-	-	-
Reclassifications	16	7			-	23	(7)	-	(7)	16
At 31 March 2019	(433)	-	(2,296)	(186)	-	(2,915)	-	-	-	(2,915)
Balance sheet at 31 March 2019	155,865	24,020	1,968	573	439	182,865	470	5,267	5,737	188,602
Balance sheet at 31 March 2018	154,064	22,645	1,777	584	379	179,449	75	12,912	12,987	192,436
Nature of Asset Holding										
Owned	155,865	23,832	1,911	573	439	182,620	470	5,267	5,737	188,357
Finance lease	-	188	57	-	-	245	-	-	-	245
Balance sheet at 31 March 2019	155,865	24,020	1,968	573	439	182,865	470	5,267	5,737	188,602

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	8-66 years
Infrastructure	14-40 years
Vehicles, plant, equipment and machinery	5-10 years
Heritage assets	70 years
Council garages	25 years
Leased assets	lease term

Capital Commitments

At 31 March 2019, the Council has entered into a number of contracts for the acquisition, construction or enhancement of Property, Plant and Equipment and future years are due to cost £1,060,264. Similar commitments at 31 March 2018 were £1,674,681. The major commitments are:

- Housing Capital Programme £1,060,264
- General Fund Capital Programme Nil

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 Business Services as at 31 March 2019.

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. 2018/19 is a desk top revaluation year.

Non-current assets are valued in accordance with the methodologies and basis of estimation 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 2018/19 this equates to 42% of market value which was applicable from 1 April 2016 onwards.

- Land and other operational properties and assets are included in the balance sheet at current value(EUV), determined as the amount that would be paid for the asset in its existing use.
- Non-operational assets, including assets that are surplus to requirements, are included in the balance sheet at Fair Value (MV).
- Operational properties of a specialised nature are included on the balance sheet at Depreciated Replacement Cost.
- Infrastructure 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	Surplus Assets £'000	Others £'000	Total £'000
Valued at historic cost	-	642	155	14,181	14,978
Valued at current value as at:					
31 March 2019	155,649	23,379	315	373	179,716
Total	155,649	24,021	470	14,554	194,694

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 2% (less than £41,000). 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.

Heritage Assets

The Council does not have any heritage assets other than those reported on the Balance Sheet.

Note 12	Assets Held for Sale
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These relate to 8 Council dwellings nearing completion of sale under the “Right to Buy” scheme.

2017/18 £'000		2018/19 £'000
669	Balance Outstanding at Start of Year	381
	Assets newly Classified as Held for sale:	
1,270	Property Plant & Equipment	1,201
	Assets declassified as held for sale:	
(46)	Property Plant & Equipment	(86)
(1,512)	Assets Sold	(1,149)
381	Balance Outstanding at Year End	347

Note 13 Financial Instruments

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

Financial Assets

	Non- Current				Current					
	Investments		Debtors		Investments		Debtors		Total	
	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000
Fair Value through profit and Loss	5,149	8,855	13	11	6,369	20	-	-	11,531	8,886
Amortised cost	-	-	-	-	15,105	24,386	6,397	3,322	21,502	27,708
Fair Value through other comprehensive income - other *	1,966	-	-	-	-	-	-	-	1,966	-
Total Financial Assets	7,115	8,855	13	11	21,474	24,406	6,397	3,322	34,999	36,594
Non-Financial Assets	-	-	-	-	-	-	-	-	-	-
Total	7,115	8,855	13	11	21,474	24,406	6,397	3,322	34,999	36,594

*The council's investment in Property Funds has been re-designated from Fair Value through other comprehensive income and expenditure to Fair Value through Profit and Loss in line with Code guidance.

Financial Liabilities

	Non- Current				Current					
	Borrowings		Creditors		Borrowings		Creditors		Total	
	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000
Fair Value through profit and Loss										
Amortised cost	60,863	72,777	114	721	15,382	2,438	6,094	4,841	82,453	80,777
Total Financial Liabilities	60,863	72,777	114	721	15,382	2,438	6,094	4,841	82,453	80,777
Non-Financial Liabilities	-	-	-	-	-	-	-	-	-	-
Total	60,863	72,777	114	721	15,382	2,438	6,094	4,841	82,453	80,777

Re-classification and re-measurement of financial assets at 1 April 2018

This note shows the effect of re-classification of financial assets following the adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting and the re-measurement of carrying amounts then required.

	Carrying amount brought forward at 1 April 2018 £'000	New Classification at 1 April 2018		
		Amortised Cost £'000	Fair Value through Other Comprehensive Income £'000	Fair Value through Profit and Loss £'000
Previous Classifications				
Loans and Receivables	31,033	27,872	-	3,161
Fair Value through Other Comprehensive Income	1,966	-	-	1,966
Available For Sale	2,000	-	-	2,000
Re-classified amounts at 1 April 2018	34,999	27,872	-	7,127

Effect of Asset re-classification and re-measurement on the Balance Sheet

This note shows how the new balances at 1 April 2018 for financial assets are incorporated into the balance sheet.

	Amortised Cost £'000	Fair Value through Profit and Loss £'000	Non Financial Instrument Balance £'000	Total Balance Sheet carrying amount £'000
Re-measured carrying amounts at 1 April 2018	27,872	7,127	-	34,999
Re-classified Amounts:				
Non Current Investments	-	7,114	-	7,114
Long Term Debtors	-	13	-	13
Current Debtors	-	-	6,397	6,397
Total	21,475	7,127	6,397	34,999

13.1 Financial Instrument Balances

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

- amortised cost - These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts.
- fair value through profit or loss (FVPL) - These assets are measured and carried at fair value. The value of these holdings can vary resulting in realised and unrealised gains and losses. , and

- fair value through other comprehensive income (FVOCI) - These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

13.2 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:

	2018/19		2017/18	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive income & Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive income & Expenditure £000
Net gain/losses on;				
Investments measured at fair value through other comprehensive income	-	-	-	34
Investments measured at fair value through profit and loss	34	-	-	-
total Net gain/loss	34	-	-	34
Interest Revenue:				
Financial assets measured at Fair Value Through Profit & Loss	138	-	93	-
Financial assets measured at amortised cost	324	-	226	-
Other financial assets measured at fair value through other comprehensive income	-	-	-	-
Total interest revenue	462	-	319	-
Interest expense	2,214	-	2,205	-

13.3 Fair Value of Assets

Some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	As At 31st March 2019	As At 31st March 2018
		£'000	£'000	£'000
<i>Fair value Through profit and Loss</i>				
Property Funds	2	Unadjusted quoted price in active market for identical shares	2,000	-
Third Party Loans	2	Unadjusted unquoted price in inactive market	4,855	3,148
Shareholdings - in Lafford Homes	3	Unadjusted unquoted price in inactive market	2,000	2,000
Total			8,855	5,148

Statutory Override on pooled investments

The Council holds a £2.0m in Property Funds and £11.1m in Money Market Funds which are pooled investment. As a result of the change in accounting standards for 2018/19 under IFRS 9, the Ministry for Housing, Communities and Local Government (MHCLG) have agreed a temporary override to allow English Local Authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from April 2018. The Council will use the statutory override to account for any changes in the fair value on its pooled investments.

Shareholdings

The Council holds a 100% share in Lafford Homes Ltd. The shares are not traded in an active market and the fair value is calculated using the enterprise approach (a discounted cash flow technique) as defined in IFRS13 Fair Value Measurement. For 2018/19 the fair value equates to the value of shares held.

Loans to Third Parties

The loans to third parties relate to loans given to Lafford Homes Ltd. They are valued using both the companies past and estimated future performance, together with current market rates and shareholdings fair value. For 2018/19 this fair value equates to the value of the loans made.

This valuation has no effect on the Surplus or deficit on the provision of services, and there are no movements in opening and closing fair value transactions.

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between input levels during the year.

Changes in valuation technique

There has been no change in the valuation technique used during the year for the financial instruments.

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

Except for the financial assets carried at fair value (described above), all other financial liabilities and financial assets held by the authority are carried in the balance sheet at amortised cost. The fair values calculated are as follows.

	31st March 2018		31st March 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial Assets				
At Amortised Cost:				
Market Investments	15,000	15,163	24,228	24,228
Long Term Debtors	13	13	11	11
Total Financial Assets	15,013	15,176	24,239	24,239
Financial liabilities				
At Amortised Cost:				
PWLB Loans	62,949	81,001	75,217	100,343
Temporary Loans	13,000	13,017	-	-
Finance Lease Liabilities	211	211	816	816
Total Borrowings	76,160	94,229	76,033	101,159

Financial Assets

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

Financial Liabilities

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. Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value

The fair values calculated are as follows:

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 £74,863,033 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 £74,863,033 would be valued at £86,647,280. 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 £81,427,469.

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.

Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value.

	2018/19			
	Quoted prices in active markets (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
	£000	£000	£000	£000
Financial Liabilities				
Financial Liabilities held at amortised cost:				
Long Term Loans	-	100,343	-	100,343
Short Term Loans	-	-	-	-
Finance Lease Liabilities	-	816	-	816
Total	-	101,159	-	101,159
Financial Assets				
Financial Assets held at amortised cost:				
Temporary Investments	-	24,249	-	24,249
Total	-	24,249	-	24,249

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.

	2017/18			
	Quoted prices in active markets (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
	£000	£000	£000	£000
Financial Liabilities				
Financial Liabilities held at amortised cost:				
Long Term Loans	-	81,001	-	81,001
Short Term Loans	-	13,017	-	13,017
Finance Lease Liabilities	-	-	211	211
Total	-	94,018	211	94,229
Financial Assets				
Financial Assets held at amortised cost:				
Temporary Investments	-	15,163	-	15,163
Total	-	15,163	-	15,163

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

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 2019 of 0.15% 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 2019 of 2.24% 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.

Note 14 Debtors

An analysis of debtors is shown below:-

2017/18 £'000	Description	2018/19 £'000
1,885	Central government bodies	1,475
940	Other local authorities	1,140
-	NHS bodies	-
6,655	All other	5,009
9,480		7,624
(1,765)	Less provision for bad debts	(1,711)
7,715	Total	5,913

Note 14A Debtors for Local Taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

2017/18 £'000	Description	2018/19 £'000
14	Less than three months	35
14	three to six months	27
48	Six months to one year	65
515	More than one year	651
591	Total	778

Note 15 Cash and Cash Equivalents

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

31/03/2018 £'000		31/03/2019 £'000
(1,942)	Bank current accounts	156
6,371	Money Market funds	11,172
4,429	Total	11,328

Note 16 Creditors

An analysis of creditors is shown below:

2017/18 £'000	Description	2018/19 £'000
2,878	Central government bodies	483
2,531	Other local authorities	3,582
-	NHS bodies	-
4,430	Other entities and individuals	4,586
9,839	Total	8,651

Note 17 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 £0.4m. This represents the share of the appeals provision which relates to North Kesteven District Council only.

Description	2018/19 £'000
Balance at 1 April 2018	(1,877)
Additional provisions made in 2018/19	(74)
Amounts used in 2018/19	16
Amounts reversed unused in 2018/19	1,530
Balance at 31 March 2019	(405)

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 1st 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.

2017/18 £'000	REVALUATION RESERVE	2018/19 £'000
10,615	Balance at 1st April	12,352
1,914	Upward revaluation of assets	715
(35)	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	(495)
1,879		220
(142)	Amount written off to the Capital Adjustment Account	(175)
12,352	Balance at 31st March	12,397

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.

2017/18 £'000	PENSION RESERVE	2018/19 £'000
(34,514)	Balance at 1st April	(35,003)
1,678	Remeasurement of the net defined benefit liability/(assets)	(4,981)
(4,055)	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	(5,001)
1,888	Employers pension contributions and direct payments to pensioners payable in the year	2,212
(35,003)	Balance at 31st March	(42,773)

Collection Fund Adjustment Account

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

2017/18 £'000	COLLECTION FUND ADJUSTMENT ACCOUNT	2018/19 £'000
(944)	Balance at 1st April	(167)
	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	
329		2,281
448	Renewables	364
(167)	Balance at 31st March	2,478

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.

2017/18 £'000	CAPITAL ADJUSTMENT ACCOUNT	2018/19 £'000
96,431	Balance at 1st April	105,915
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement re:	
(4,743)	Charges for depreciation and impairment of non-current assets	(4,759)
5,112	Revaluation gain on property, plant and equipment	(5,327)
(25)	Amortisation of intangible assets	(25)
(602)	Revenue expenditure funded from capital under statute	(797)
(1,522)	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	(1,649)
94,651		93,358
142	Adjusting amounts written out of the Revaluation Reserve	175
94,793		93,533
	Net written out amount of the cost of non-current assets consumed in the year	
	Capital Financing applied in the year re:	
2,123	Use of the Capital Receipts Reserve to finance new capital expenditure	1,191
2,981	Use of the Major Repairs Reserve to finance new capital expenditure	3,929
2,086	HRA Voluntary Contribution	2,086
858	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,495
80	Application of grants to capital financing from the Capital Grants Unapplied Account including developers contributions	22
465	Statutory provisions for the financing of capital investment charged against the General Fund	528
2,529	Capital Expenditure charged against the General Fund and HRA balances	773
11,122		10,024
105,915	Balance at 31st March	103,557

Note 19	Cash Flow Statement – Operating Activities and Interest
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The cash flows for operating activities include the following items:

2017/18	Operating Activities	2018/19
£'000	Note A	£'000
10,150	Net surplus or deficit on the provision of services	2,110
	Capital activities	
3,013	Depreciation	3,066
(3,381)	Impairment or downward valuations	7,021
25	Amortisation	25
70	Increase /decrease in interest creditors	57
199	Increase/decrease in creditors	(192)
(6)	Increase/decrease in interest debtors	28
(3,022)	Increase/decrease in debtors	2,660
-	Movement in Investments classified as Fair value through the P&L	(34)
(32)	Increase/decrease in inventories	(3)
2,168	Pension liability	2,789
138	Contributions to/(from) provisions	(1,472)
1,522	Carrying amount of non current assets sold	1,649
694		15,594
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(1,203)	Capital grants that are credited to surplus or deficit on the provision of services	(1,586)
13,000	Proceeds from the sale of short and long term investments	-
(2,013)	Proceeds from the sale of property plant and equipment , investment property and intangible assets	(2,072)
9,784		(3,658)
20,628	Net cash flows from operating activities	14,046

2017/18	Operating Activities	2018/19
£'000	Interest - Note B	£'000
319	Ordinary interest received	463
100	Opening debtor	106
(106)	Closing debtor	(78)
313	Interest Received	491
(2,204)	Interest charged for the year	(2,205)
(227)	Opening creditor	(297)
297	Closing creditor	354
(2,134)	Interest Paid	(2,148)

Note 20	Cash Flow Statement – Investing Activities
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2017/18 £'000	Investing Activities Note C	2018/19 £'000
(11,292)	Property, plant and equipment purchased	(7,652)
	Purchase of New Finance Leases	778
(1,304)	Opening capital creditors	(940)
940	Closing capital creditors	1,168
(11,656)	Purchase of property plant and equipment, investment property, and intangible assets	(6,646)
(13,000)	Purchase of short term investments	(7,000)
(2,000)	Purchase of long term investments	-
(3,148)	Purchase of Investments in Subsidiaries	(1,707)
(18,148)	Purchase of short and long term investments	(8,707)
(172)	Long term loans granted - capital grants repaid	(2,192)
2,022	Proceeds from the sale of property plant and equipment, investment property, and intangible assets	2,074
-	Proceeds from short term investments	9,000
-	Proceeds from long term investments	-
-	Proceeds from short term and long term investments	9,000
-	Other capital grant receipts - capital grants received	-
3,059	Capital grants received	2,599
(24,895)	Net cash from investing activities	(3,872)

Treasury Management Transactions During the Year:-		
134,015	Out to investments	175,961
128,992	Back from investments	173,160

Note 21 Cash Flow Statement – Financing Activities and Cash Balances

2017/18 £'000	Financing Activities Note D	2018/19 £'000
9,500	Cash receipts of short-term and long-term borrowing	14,000
844	Billing authorities - Council tax and NNDR adjustments	(2,014)
(2,103)	Repayment of short-term and long-term borrowing	(15,086)
(146)	Payments for the reduction of a finance lease liability	(174)
8,095	Net cash flows from financing activities	(3,274)

2017/18 £'000	Make up of Cash and Cash Equivalents Note E	2018/19 £'000
772	Cash and bank balances	156
6,371	Cash investments-regarded as cash equivalents	11,172
(2,714)	Bank overdraft	-
4,429	Total	11,328

Reconciliation of liabilities arising from financing activities Note F	2017/18 £'000	Financing Cash Flows £'000	Non-Cash Changes		2018/19 £'000
			Acquisition £'000	Other Non-cash changes £'000	
Long Term Borrowings	60,863	11,914	-	-	72,777
Short Term Borrowings	15,382	(13,297)	-	354	2,439
Lease Liabilities	-	-	-	-	-
Total Liabilities arising from financing activities	76,245	(1,383)	-	354	75,216

Note 22 Members' Allowances

The Council paid the following amounts to Members of the Council during the year.

2017/18 £'000	Description	2018/19 £'000
282	Allowances	286
4	National Insurance	4
13	Car and Travel Allowances	15
299	Total	305

Note 23 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	2018/19		115,849	426	-	18,842	135,117
	2017/18		112,161	497	-	18,962	131,620
Deputy Chief Executive	2018/19	3	96,596	213	-	15,204	112,013
	2017/18		93,094	-	-	15,017	108,111
Corporate Director	2018/19	3	45,118	213	-	7,263	52,594
	2017/18		87,568	497	-	14,091	102,156
Director of Resources	2018/19	4	41,854	213	-	6,744	48,810
	2017/18		-	-	-	-	-
Head of Finance and Resources	2018/19	4	41,854	213	-	6,744	48,810
	2017/18		74,715	497	-	12,022	87,234
Head of Corporate and Customer Services	2018/19		69,352	426	-	11,147	80,926
	2017/18		63,644	497	-	10,217	74,358
Head of Housing and Property Services	2018/19		67,007	6,734	-	10,897	84,638
	2017/18	1	37,518	3,241	5,000	6,692	52,451
Economy and Place Director	2018/19	6	74,160	426	-	11,931	86,518
	2017/18		68,011	497	-	10,929	79,437
Head of Environment and Public Protection	2018/19		68,802	426	-	11,058	80,286
	2017/18	2	42,726	976	29,950	7,291	80,943
Head of Finance	2018/19	5	35,207	213	-	5,660	41,080
	2017/18		-	-	-	-	-

Notes

1. Head of Housing and Property Services- this position was vacant for the period 7 May 17 to 4 September 17 in 2017/18.
2. Head of Environment and Public Protection - this position was vacant for the period 31 May 17 to 4 September 17 in 2017/18
3. The Corporate Director post ceased on 5th October 2018
4. The Head of Finance and Resources post ceased on 5th October 2018 and the post holder became Director of Resources
5. On 5th October 2018 the Head of Finance post was created
6. This post was created 5th October 2018 and was previously known as Head of Development, Economic and Cultural Services

Remuneration band	2017/18 Number of employees	2018/19 Number of employees
£50,000 to £54,999	2	5
£55,000 to £59,999	1	1
£60,000 to £64,999	2	-
£65,000 to £69,999	1	2
£70,000 to £74,999	-	2
£75,000 to £79,999	1	-
£80,000 to £84,999	-	1
£85,000 to £89,999	1	-
£90,000 to £94,999	1	1
£95,000 to £99,999	-	-
£100,000 to £104,999	-	-
£105,000 to £109,999	-	-
£110,000 to £114,999	-	-
£115,000 to £119,999	1	1
Total	10	13

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	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
£0 - £20,000	-	-	4	4	4	4	14,024	24,300
£20,001 - £40,000	-	-	1	2	1	2	29,950	54,380
£40,001 - £60,000	-	-	-	2	-	2	-	94,539
Total	-	-	5	8	5	8	43,974	173,219

Note 24 | External Audit Costs

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

Description	2017/18 £'000	2018/19 £'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	39	30
Fees payable in respect of statutory inspections	-	-
Fees payable for the certification of grant claims and returns for the year	9	12
Fees payable in respect of other services provided by external audit during the year	3	-
Total	51	42

Note 25	Grant Income
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The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19:

Description		
	2017/18	2018/19
Credited to Taxation and Non-specific Grant Income and Expenditure	£'000	£'000
Homes England Grant	248	672
New Homes Bonus	2,347	1,855
Revenue Support Grant	726	-
Rural Services Delivery Grant	289	-
S106 Grant	79	-
S31 Grant	1,147	1,958
Other grants	32	74
Total Taxation and Non-specific Grant Income and Expenditure	4,868	4,559
Credited to Net Cost of Services		
Capacity Funding from Homes& Communities Agency	240	-
Council Tax admin and Small Businesses grant	223	219
Disabled Facility Grants	756	831
Discretionary Housing Grant	140	121
Election Voter ID Pilot	-	55
Flexible Homelessness Support Grant	127	145
Housing Benefits Rent Administration	240	224
Housing Benefits New Burdens Grant	96	93
Leisure Grants	201	201
Planning Delivery Fund Grant	13	133
Rent Allowance Subsidy	9,832	9,036
Rent Rebates Subsidy	7,823	7,555
UK Resettlement Programmes	-	73
Wellbeing Grant	621	-
Other grants	285	217
Total Net Cost of Service	20,597	18,903

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	2017/18		2018/19	
	Current Liabilities £'000	Long Term Liabilities £'000	Current Liabilities £'000	Long Term Liabilities £'000
Held in Balance Sheet as Conditions not yet met				
Play Equipment / Open Spaces	-	482	-	634
Affordable Housing	-	105	-	239
Education	-	2,028	-	699
Other	100	666	114	517
Total Grants with Conditions not yet met	100	3,281	114	2,089

Note 26 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.

UK Central Government

The UK 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 25 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 2018/19 is shown in Note 22. During 2018/19 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 other than the Deputy Chief Executive and the Head of Finance who are Directors of the wholly owned Lafford Homes Ltd house building company. Full details of the company can be found on the Group accounts section of the accounts.

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:

2017/18 £'000	Description	2018/19 £'000
186	Upper Witham Drainage Board	192
181	Witham First Drainage Board	203
61	Black Sluice Drainage Board	68
27	Trent Valley Drainage Board	27
455	Drainage Board Levies Paid	490
2,849	Parish/Town Councils	2,994
61	Citizens Advice Bureau	61
283	Shared Legal Services	254
3,648	Included within the Council's expenditure	3,799
280	Central Lincolnshire Joint Strategic Planning Unit	136
280	Bodies where the Council acts as the responsible body	136
3,928	Total	3,935

Note 27	Capital Expenditure and Capital Financing
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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.

2017/18 £'000	Description	2018/19 £'000
76,483	Opening capital financing requirement	80,403
	Capital expenditure:	
11,292	Property, Plant and Equipment	7,653
3,148	Investment In Subsidiary	1,707
602	Revenue Expenditure Funded from Capital under Statute	797
15,042	Asset Movement in Year	10,157
	Capital financing:	
(2,123)	Capital Receipts	(1,191)
(938)	Government Grants and other contributions	(1,519)
(2,529)	Sums set aside from revenue	(772)
(2,981)	Contribution from MRR	(3,929)
(465)	Minimum Revenue Provision (MRP)	(528)
(2,086)	Voluntary Revenue Provision in respect of HRA debt	(2,086)
(11,122)	<i>Financing in Year</i>	(10,025)
80,403	Closing capital financing requirement	80,535
3,920	Movements in year	132
3,920	Increase / (decrease) in underlying need for unsupported borrowing	(647)
-	Assets acquired under Finance Leases	779
3,920	Increase/(decrease) in capital financing requirement	132

Note 28 **Leases****COUNCIL AS LESSEE****28.1 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	2017/18 £'000	2018/19 £'000
Other Land and Buildings	169	188
Vehicles, Plant and Equipment	177	57
Value at 31 March	346	245

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
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000	£'000
Finance lease liabilities (net present value of minimum lease payments):						
Current (net present value of MLP)	27	83	70	12	97	95
Non-Current (NPV of MLP)	102	720	12	0	114	720
Finance Costs payable in future years	60	120	37	12	97	132
Minimum Lease Payments (MLP)	189	923	119	24	308	947

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

Description	Minimum Lease Payments		Finance Lease Liabilities	
	31/03/18	31/03/19	31/03/18	31/03/19
	£'000	£'000	£'000	£'000
Not later than one year	178	121	97	96
Later than one year but not later than five years	44	388	34	333
Later than five years	86	439	80	386
Total	308	948	211	815

28.2 Operating Leases

The Council has acquired a number of buildings under operating leases and is committed at 31 March 2019 to making payments of £748,079 (£895,331 in 2017/18) comprising the following elements:

Description	31/03/2018 £'000	31/03/2019 £'000
Not later than one year	147	147
Later than one year but not later than five years	506	422
Later than five years	242	179
Total Commitments at 31st March	895	748

Note 29 Termination Benefits

The Council terminated the contracts of a number of employees in 2018/19, incurring liabilities of £173,219 (£43,974 in 2017/18) – see note 23 for the number of exit packages and total cost per band.

Note 30 Defined Benefit Pension Schemes

The Local Government Pension Scheme (LGPS) is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, the Local Government Pension Scheme (Administration) Regulations 2008 and the Local Government Pension Scheme (Transitional Provisions) Regulations 2008. It is contracted out of the State Second Pension.

The Pension Fund is administered by Lincolnshire County Council who contracted the day to day administration of the fund to West Yorkshire Pension Fund (WYPF). Lincolnshire County Council continue to undertake the investment of the pension fund assets.

The key risk to the Council is the future payments that need to be made to pensioners under the defined benefit scheme and making sure these are adequately funded. Therefore, a professional Actuary is engaged by the County Council to assess the likely asset returns and future liabilities of the Council's sub fund within the overall Lincolnshire Pension Fund. The current Actuary is Hymans Robertson LLP. The following notes are based on the assumptions and reports received from the Actuary as at 31 March 2019. A full revaluation exercise is undertaken every 3 years, and this exercise was undertaken as at 31 March 2016, the next triennial review being due 31 March 2019.

The Council can also make discretionary enhancements in accordance with its agreed policies. The additional costs resulting from historically awarding such discretions are included in the tables below.

30.1 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.

30.2 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	
	2017/18	2018/19
<i>Cost of services:</i>		
<i>Service cost comprising:</i>		
current service costs	3,298	3,379
past service costs	-	415
<i>Financing and investment income and expenditure</i>		
Net interest expense	918	972
<i>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</i>	4,216	4,766
<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)	177	(3,286)
Actuarial gains and losses arising on changes in demographic assumptions	-	-
Actuarial gains and losses arising on changes in financial assumptions	(1,862)	8,244
Other (if applicable)	6	24
Total remeasurement recognised in other comprehensive income and expenditure	(1,679)	4,982
<i>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>	2,537	9,748
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	2,256	2,554
Adjusting reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	-	235
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
Employers' contributions payable to scheme	1,888	2,212

30.3 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	
	2017/18	2018/19
Present value of the defined benefit obligation	(94,732)	(107,491)
Fair value of plan assets	59,494	64,718
Element relating to accountable bodies	235	-
Net liability arising from defined benefit obligation	(35,003)	(42,773)

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

	Local Government Pension Scheme £000	
	2017/18	2018/19
Opening fair value of scheme assets	58,062	59,494
Interest income	1,510	1,610
Remeasurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	(177)	3,286
Contributions from employer	1,902	2,155
Contributions from employees into the scheme	525	559
Benefits paid	(2,328)	(2,386)
Contribution re unfunded benefits	57	58
Unfunded benefits paid	(57)	(58)
Closing fair value of scheme assets	59,494	64,718

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

	Funded Liabilities: Local Government Pension Scheme £000	
	2017/18	2018/19
Opening balance at 1 April	92,722	94,732
Current service cost	3,298	3,379
Interest cost	2,428	2,582
Contributions from scheme participants	525	559
Remeasurement (gains) and losses:		
Actuarial gains/losses arising from changes in demographic assumptions	-	-
Actuarial gains/losses arising from changes in financial assumptions	(1,862)	8,244
Other (if applicable)	6	24
Past service cost	-	415
Benefits paid	(2,328)	(2,386)
Unfunded benefits paid	(57)	(58)
Closing balance at 31 March	94,732	107,491

Local Government Pension Scheme assets comprised:

	Fair Value of Scheme Assets £000's	
	2017/18	2018/19
Cash and cash equivalents	728	713
Equity instruments:		
By industry type		
Consumer	4,371	7,299
Manufacturing	3,383	2,635
Energy and utilities	1,649	1,475
Financial institutions	4,091	3,839
Health and Care	2,531	2,868
Information technology	4,628	4,359
Sub-total equity	20,653	22,475
Property:		
By type		
UK property	5,042	5,175
Overseas property	444	407
Sub-total property	5,486	5,582
Private equity:		
Sub-total private equity	963	679
Other investment funds and unit trusts:		
Equities	16,507	17,864
Bonds	7,033	7,788
Infrastructure	867	1,222
Other	7,257	8,395
Sub-total other investment funds	31,664	35,269
Total assets	59,494	64,718

30.4 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	2017/18	2018/19
Mortality assumptions		
● Longevity at 65 for current pensioners:		
○ Men	22.1	22.1
○ Women	24.4	24.4
● Longevity at 65 for future pensioners:		
○ Men	24.1	24.1
○ Women	26.6	26.6
Rate of Inflation / Pension Increase Rate	2.4%	2.5%
Rate of increase in salaries	2.8%	2.9%
Rate of increase in pensions	2.4%	2.5%
Rate for discounting scheme liabilities	2.7%	2.4%

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.

Sensitivity Analysis	Impact on the Defined Benefit Obligation in the Scheme	
	Approximate % Increase to employee Liability	Approximate Monetary Amount £000
Changes in assumptions at 31 March 2020		
Longevity Increase or Decrease in 1 year	3-5%	5,375
0.5% decrease in Real Discount Rate	11%	11,509
0.5% increase in the Salary Increase Rate	1%	1,562
0.5% increase in the Pension Increase Rate	9%	9,760

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 2020.

The Council anticipates paying £2.170m contributions to the scheme in 2019/20.

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

Note 31 | Contingent Liabilities

There are no contingent liabilities to declare.

Note 32 | Contingent Assets

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 31st March 2019 is £353,951 (£361,118 as at 31st March 2018).

Note 33 | Nature and Extent of Risks Arising from Financial Instruments

33.1 Nature and Extent of Risks Arising from Financial Instruments and how the Council Manages those Risks

The Council's activities expose it to a variety of financial risks, including:

- 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.
- 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.

33.1.1 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.

33.1.2 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 2018/19 was approved by Full Council on 6th March 2018 and is available on the Council's website.

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

The 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 2018. Defaults shown are by long term rating category on investments out to one year, which were the most commonly held investments during the year.

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.

Credit Risk Exposure

The council has the following exposure to credit risk at 31 March 2019

	Credit Risk Rating	Gross Carrying Amount £'000	Potential Credit Risk £'000
12 Month Expected Credit Losses			
AAA rated counterparties	0.04%	13,196	3
AA rated counterparties	0.02%	-	-
A rated counterparties	0.05%	3,011	1
BBB rated counterparties	0.15%	3,002	4
BB rated counterparties	0.68%	-	-
B rated counterparties	2.80%	2,013	4
Other institutions		11,881	1
Total		33,103	13

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

The Council does not generally allow extended credit for customers, but some of the current balance is past its due date for payment.

The past due amount can be analysed by age as follows:

	31 March 2018 £'000	31 March 2019 £'000
Less than one months	184	99
One to six months	451	73
Six months to one year	69	126
More than one year	97	155
Total	801	453

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

33.1.3 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:

Description	31/03/2018 £'000	31/03/2019 £'000
Less than one year	25,321	8,673
Between one and two years	2,086	2,086
Between two and five years	6,257	6,258
More than five years	52,520	64,433
Total	86,184	81,450

All trade and other payables are due to be paid in less than one year.

33.1.4 Market Risk

Interest Rate Risk

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 Surplus or Deficit on the Provision of Services will rise;
- borrowings at fixed rates – the fair value of the borrowing will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise; and
- Investments at fixed rates – the fair value of the assets will fall

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

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

According to this assessment strategy, at 31 March 2019, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

Description	31/03/2019 £'000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	97
Increase in government grant receivable for financing costs	-
Impact on Income and Expenditure Account	97
Share of overall impact debited to the HRA	6

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

Price risk

The council does not generally invest in equity shares but does have shareholdings to the value of £2m in a wholly owned housing company (Lafford Homes Ltd).

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

Foreign Exchange Risk

The council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

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.

2017/18 *revised £'000	Description	2018/19 £'000
	Expenditure	
(4,220)	Repairs and maintenance	(4,061)
(1,914)	Supervision and management	(1,719)
(221)	Rents, rates, taxes and other charges	(63)
(2,016)	Depreciation of non current assets	(2,043)
3,288	Revaluation of non-current assets	(3,884)
(35)	Debt management costs	(31)
(74)	Movement in the allowance for bad debts	-
(5,192)	Total expenditure	(11,801)
	Income	
14,890	Dwelling rents	14,782
198	Non-dwelling rents	186
355	Charges for services and facilities	367
67	Contributions towards expenditure	39
15,510	Total income	15,374
10,318	Net cost of HRA services included in the Comprehensive Income and Expenditure Statement	3,573
(210)	HRA services share of corporate and democratic core	(208)
(843)	HRA share of other amounts included in the whole authority net expenditure of continuing operations but not allocated to a specific service	(952)
9,265	Net cost of HRA services	2,413
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:	
488	Gain or (loss) on sale of HRA non-current assets	408
(2,045)	Interest payable and similar charges	(2,054)
25	Interest and investment income	28
(164)	Pensions interest cost and expected return on pension assets	(168)
278	Capital Grants and Contributions receivable	673
7,847	Surplus / (deficit) for the year on HRA services	1,300

* 2017/18 balances have been revised due to the exclusion of support service recharges from the Net Cost of Service in line with the CIPFA Code

SUPPLEMENTARY FINANCIAL STATEMENTS

Movement on the HRA Statement

2017/18 £'000	Description	2018/19 £'000
750	Balance on the HRA at the end of the previous year	750
7,847	Surplus or (deficit) for the year on the HRA Income & Expenditure Statement	1,300
(1,624)	Adjustments between accounting base and funding base under regulations	5,241
6,223	Net increase or (decrease) before transfer to reserves	6,541
(6,223)	Transfer (to) or from reserves	(6,541)
-	Increase or (decrease) in year on the HRA	-
750	Balance on the HRA at the end of the current year	750
	Adjustments between accounting basis and funding basis under regulations	
-	Amortisation of premiums and discounts and the charge for the year	-
	Transfers to/from the Capital Adjustment Account:-	
(3,288)	- revaluation of non current assets	3,883
2,017	- reversal of actual HRA depreciation	2,043
(278)	- capital grants	(673)
(488)	Gain or loss on sale of HRA fixed assets	(408)
413	HRA share of contributions to/from the Pension Reserve	396
(1,624)		5,241
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA balance for the year	
(6,205)	Transfer to / (from) Major Repairs Reserve	(6,447)
18	Transfer to / (from) Housing Services Reserve	-
(75)	Transfer to / (from) Affordable / Target Rents Difference Reserve	(88)
39	Transfer to / (from) HRA Earmarked Expenditure Reserve	(40)
-	Transfer to / (from) Accumulated Absence Reserve	34
(6,223)		(6,541)

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

2017/18 number	Type	2018/19 number
3,371	Houses and Bungalows	3,351
480	Flats	479
3,851	Total	3,830

H1.2 Asset Values

2017/18 £000	Type	2018/19 £000
	Operational assets	
154,064	♦ dwellings	155,864
2,094	♦ other land and buildings	2,082
381	♦ assets held for sale	347
7	♦ vehicle, plant and equipment	2
6,218	♦ assets under construction	3,281
162,764	Total	161,576

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 1st of April in the financial year is as follows:

2017/18 £'000	Description	2018/19 £'000
372,867	Vacant possession value	375,038
372,867	Total	375,038

NOTES TO THE SUPPLEMENTARY FINANCIAL STATEMENTS

Note H3 Analysis of Movement on the Major Repairs Reserve

2017/18 £'000	Description	2018/19 £'000
5,297	Balance as at 1 April	6,435
6,205	Amount transferred to the Major Repairs Reserve during the financial year	6,446
(2,981)	The debits to the Major Repairs Reserve in respect of capital expenditure on land, houses and other property within the HRA	(3,929)
(2,086)	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	
6,435	Balance as at 31 March	6,866

Note H4 Summaries of Total Capital Expenditure and Receipts

H4.1 Summary of Total Capital Expenditure

2017/18 £'000	Description	2018/19 £'000
5,494	Expenditure of HRA land, houses and other property	5,872
5,494	Total	5,872
	Financed By:	
-	● borrowing	-
(1,395)	● general capital receipts reserve	(730)
(248)	● government grants	(694)
(707)	● 1-4-1 capital receipts reserve	(428)
(8)	● external contribution	(1)
(2,981)	● major repairs reserve	(3,929)
(80)	● section 106 reserve	(1)
(75)	● affordable / target rents reserve	(88)
(5,494)	Total	(5,872)

NOTES TO THE SUPPLEMENTARY FINANCIAL STATEMENTS

H4.2 Summary of Total Capital Receipts

2017/18 £'000	Description	2018/19 £'000
2,026	Council house sales	1,475
12	Other sales (incl.discount repayment)	53
9	Deferred purchase of council houses	2
2,047	Total	1,530

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 £1,661,917 on the replacement of items such as kitchens, bathrooms, heating systems, 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

2017/18 £'000	Description	2018/19 £'000
	Operational assets:	
1,992	Dwellings	2,010
20	Other land and buildings	28
5	Vehicles	5
2,017	Total	2,043

Note H6 Share of Contributions to and from Pensions Reserve

Note 30 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:

NOTES TO THE SUPPLEMENTARY FINANCIAL STATEMENTS

2017/18 £'000	Description	2018/19 £'000
	HRA Income and Expenditure Account	
	<i>Net cost of services</i>	
589	● Current service cost	589
-	● Past service costs	-
-	● Settlements and curtailments	-
	<i>Net operating cost</i>	
434	● Interest cost	449
(270)	● Expected return on assets in the scheme	(280)
753	Net charge to the HRA Income and Expenditure Account	758
	Statement of movement on the HRA balance	
(753)	Net charges made for retirement benefits in accordance with IAS19	(758)
-	- Actual amount charged against general fund balance for pensions in the year	-
340	Employer's contributions payable to scheme	361

Note H7 Rent Arrears

2017/18 £'000	Description	2018/19 £'000
411	Arrears at 31 March	391

The rent arrears represent 5.01% of the rent collectable for the year (i.e. net of rebates, write offs and voids). The comparative figure for 2017/18 was 5.31%.

A bad debt provision of £223,969 has been made in the accounts for potentially uncollectable rent arrears. (£261,553 for 2017/18).

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 2018/19 an impairment has been made in relation to a large scale housing refurbishment/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.

2017/18 £'000	Description	Note	2018/19 £'000
	COUNCIL TAX;		
	Income		
(58,634)	Income from council tax		(62,402)
(58,634)	Total income		(62,402)
	Expenditure		
	Council Tax;		
59,815	Precepts and demands from county, police and district	C3	62,172
111	Change in provision for bad and doubtful debts		126
59,926	Total expenditure		62,298
1,292	Movement on fund balance		(104)
(973)	Balance at beginning of year		319
319	Balance at end of year		215

2017/18	Share of Council Tax balance allocated to;		2018/19
45	NKDC		32
233	Lincolnshire County Council		157
41	Lincolnshire Police		26
319			215

SUPPLEMENTARY FINANCIAL STATEMENTS

2017/18	Description	Note	2018/19
£'000			£'000
	BUSINESS RATES;		
	Income		
(724)	Transitional protection income		(977)
(25,758)	Income from business ratepayers		(26,480)
	Contributions to previous years surplus/(deficit);		
(1,024)	Central Government		218
(819)	NKDC		174
(205)	Lincolnshire County Council		44
(28,530)	Total Income		(27,021)
	Expenditure		
	Business Rates:		
12,209	Retained central share		-
2,442	Payments to LCC		10,212
9,767	Payment to NKDC		15,318
-	Interest		2
1,544	Renewable energy schemes - NKDC		1,525
134	Renewable energy schemes - LCC		129
124	Costs of collection		125
55	Change in provision for bad and doubtful debts		95
965	Change in provision for appeals		(4,018)
27,240	Total expenditure		23,388
(1,290)	Movement on fund balance		(3,633)
1,954	Balance at beginning of year		664
664	Balance at end of year		(2,969)

2017/18			2018/19	
Share of (Surplus) / Deficit	Share of Provision for Appeals	Share of Business Rates Balances Allocated to;	Share of (Surplus) / Deficit	Share of Provision for Appeals
266	1,877	NKDC	(1,997)	405
66	469	Lincolnshire County Council	(1,511)	270
332	2,347	Central Government	539	-
664	4,693	Total	(2,969)	675

NOTES TO THE SUPPLEMENTARY FINANCIAL STATEMENTS

NOTES TO THE COLLECTION FUND

Note C1 Non-Domestic Rates

In 2018-19 North Kesteven were part of a 100% business rates retention pilot with Lincolnshire County Council, North Lincolnshire Council, City of Lincoln Council, Boston Borough Council, East Lindsey District Council, South Kesteven District Council, South Holland District Council and West Lindsey District Council. By piloting the 100% business rates retention the central government share of rates growth is retained by the Lincolnshire Authorities.

The total non-domestic rateable value for North Kesteven District Council at 31 March 2019 was £71,351,905 (2017/18 £70,196,893).

The Council collects business rates for its area based on rateable values (as determined by the Valuation Office Agency) and multipliers set by central government.

The national non-domestic multiplier for the year was 48.0p for small businesses and 49.3p 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	53	5/9	29
A	11,520	6/9	7,680
B	11,221	7/9	8,727
C	11,781	8/9	10,472
D	6,410	9/9	6,410
E	3,128	11/9	3,823
F	1,430	13/9	2,066
G	393	15/9	656
H	42	18/9	85
	45,978		39,948
	Plus: Crown properties		767
	less: adjustment for collection rates		(300)
	less net effect of premiums and discounts		(3,115)
	Council tax base		37,300

NOTES TO THE SUPPLEMENTARY FINANCIAL STATEMENTS

Note C3 Council Tax Precepts and Demands

Description	Actual Precept for 2018/19 £'000	Share of Surplus/Deficit £'000	Total Precept 2018/19 £'000
Lincolnshire County Council	45,195	-	45,195
North Kesteven District Council	8,997	-	8,997
Lincolnshire PCC	7,980	-	7,980
Total	62,172	-	62,172

GROUP ACCOUNTS

Lafford Homes Ltd Accounts for the year ended 31 March 2019

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 2016/17 as a wholly owned subsidiary company for the provision of privately rented housing. Incorporation was achieved with Companies House on 4th August 2016.

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

Accounting Policies

Lafford Homes Ltd, has prepared 2018/19 accounts using accounting policies consistent with those applied by the Council. Both entities have a financial year end of 31 March.

One additional accounting policy is required relating to Investment Properties as the Council do not hold any Investment Properties;

Investment Properties

Property held for rental to others are held as Investment Properties.

Recognition

Expenditure on the acquisition, creation or enhancement of Investment Properties is capitalised on an accruals basis, provided that it is probable that the future economic benefits with the item will flow to the Company 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 (i.e. Repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Investment Properties are initially measured at cost, comprising:

- The purchase price
- Any directly attributable cost, e.g. professional fees for legal services, property taxes, e.g. stamp duty and other transaction costs.

Following the financial year where an Investment Property is initially measured, Investment Properties will be measured at "fair value". Fair value reflects market conditions at the end of the report period and thus annual revaluations will be necessary. Gains or losses arising from changes in the fair value of the investment property are recognised in financing and Investment Income.

Depreciation

Properties are not depreciated but are revalued annually according to market conditions at the yearend

GROUP ACCOUNTS

Disposal

Disposals can either be through sale or through the granting of a finance lease. Investment properties are derecognised on disposal or when the property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Investment properties are outside the scope of Non-current Assets Held for Sale and Discontinued Operations. Consequently whenever an investment property is to be sold, it is never reclassified, instead the property continues to be measured in accordance with the above, until it is derecognised.

Gains or losses arising from the disposal of investment property are recognised in the Income Statement - Financing and Investment Income and expenditure in the period of disposal.

Basis of consolidation

The financial statements of Lafford Housing Company have been consolidated with those of North Kesteven District Council on a line by line basis which has eliminated balances, transactions, income and expenditure between the Council and the subsidiary.

GROUP ACCOUNTS

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 Councils Usable reserves can be found on the Movement in Reserves Statement.

Movement in Reserves (MIRS) 2017/18	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000	Lafford Homes £'000	Total Group Reserves £'000
Balance at 31 March 2017	(16,222)	(71,609)	(87,831)	10	(87,821)
(Surplus) or deficit on Comprehensive Income & Expenditure Statement (CIES)	(10,150)	-	(10,150)	84	(10,066)
Other Comprehensive Income & Expenditure	-	(3,523)	(3,523)	-	(3,523)
Adjustments Between Accounting Basis and Funding Basis Under Regulations	7,942	(7,942)	-	-	-
Net increase before transfers to earmarked reserves	(2,208)	(11,465)	(13,673)	84	(13,589)
Balance at 31 March 2018	(18,430)	(83,074)	(101,504)	94	(101,410)

Movement in Reserves (MIRS) 2018/19	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000	Lafford Homes £'000	Total Group Reserves £'000
Balance at 31 March 2018	(18,431)	(83,074)	(101,505)	94	(101,411)
(Surplus) or deficit on Comprehensive Income & Expenditure Statement (CIES)	(2,110)	-	(2,110)	14	(2,096)
Other Comprehensive Income & Expenditure	-	4,761	4,761	-	4,761
Adjustments Between Accounting Basis and Funding Basis Under Regulations	(2,848)	2,848	-	-	-
Net increase before transfers to earmarked reserves	(4,958)	7,609	2,651	14	2,665
Balance at 31 March 2019	(23,389)	(75,465)	(98,854)	108	(98,746)

GROUP ACCOUNTS

Group Comprehensive Income and Expenditure Statement

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

2017/18 revised*			Description	2018/19		
Group Gross expenditure	Group Gross income	Group Net expenditure		Group Gross expenditure	Group Gross income	Group Net expenditure
£'000	£'000	£'000		£'000	£'000	£'000
7,990	(1,177)	6,813	Our Council	12,506	(3,388)	9,118
26,780	(21,859)	4,921	Our Communities	26,972	(20,455)	6,517
1,311	(940)	371	Our Economy	2,140	(953)	1,187
421	(33)	388	Our Environment	436	(32)	404
2,476	(4,895)	(2,419)	Our Homes	3,164	(2,686)	478
5,154	(15,482)	(10,328)	HRA	11,767	(15,338)	(3,571)
44,132	(44,386)	(254)	Cost of services	56,985	(42,852)	14,133
(2,051)	1,560	(491)	(Gains) / loss on non current asset disposal	1,649	(2,071)	(422)
2,849	-	2,849	Parish council precepts	2,994	-	2,994
160	-	160	Street lighting special expense	163	(2)	161
455	-	455	Internal drainage board precepts	490	-	490
407	-	407	Contribution of housing capital receipts to government pool	402	-	402
1,820	1,560	3,380	Other operating expenditure	5,698	(2,073)	3,625
-	-	2,204	Movement in assets held at FVPL	-	(37)	(37)
26	-	26	Investment Properties	67	(266)	(199)
2,204	-	2,204	Interest payable and similar charges	2,235	(18)	2,217
-	(319)	(295)	Interest and investment income	-	(290)	(290)
-	-	-	Adjustment Net Interest On The Defined Benefit Liability	388	(242)	146
883	-	883	Net interest on the defined benefit liability(asset)	2,582	(1,610)	972
3,087	(319)	2,792	Financing & investment income & expenditure	5,272	(2,463)	2,809
-	(8,574)	(8,574)	Demand on the collection fund	-	(9,012)	(9,012)
7,674	(12,539)	(4,865)	Redistributed business rates	10,196	(19,284)	(9,088)
-	(1,147)	(1,147)	Section 31 grants	-	(1,958)	(1,958)
-	(1,015)	(1,015)	General Government Grants	-	(1,902)	(1,902)
-	(1,188)	(1,188)	Capital Grants & Other contributions	-	(699)	(699)
7,674	(24,463)	(16,789)	Taxation & non specific grant income and expenditure	10,196	(32,855)	(22,659)
56,713	(67,608)	(10,871)	(Surplus) / deficit on the provision of services	78,151	(80,243)	(2,092)
	(19)	(19)	Tax expenses of subsidiary	-	(4)	(4)
56,713	(67,627)	(10,890)	Group Surplus/Deficit	78,151	(80,247)	(2,096)
36	(1,915)	(1,879)	Surplus or deficit on revaluation of non current assets	496	(716)	(220)
177	(1,855)	(1,678)	Actuarial gains / losses on pension assets / liabilities	8,267	(3,286)	4,981
34	-	34	Surplus/deficit on available for sale assets	-	-	-
56,960	(71,416)	(3,523)	Other comprehensive income and expenditure	8,763	(4,002)	4,761
113,673	(139,043)	(14,413)	Total Comprehensive Income and Expenditure	86,914	(84,249)	2,665

* 2017/18 balances have been revised due to the introduction of a new priority 'Our Environment' and the exclusion of support service recharges from the Net cost of service in line with the CIPFA Code.

GROUP ACCOUNTS

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.

2017/18	Description	Notes	2018/19
£'000			£'000
	Non Current Assets		
	Property, Plant and Equipment		
192,669	Property, Plant and Equipment	L.2	189,137
3,821	Investment Property	L.4	5,500
614	Heritage assets		620
91	Intangible assets		67
197,195	Total Non Current Assets		195,324
1,966	Non property investments		2,000
13	Long term debtors		11
199,174	Total Long Term Assets		197,335
	Current Assets		
381	Assets held for sale		347
15,105	Short term investments		13,077
68	Inventories		71
7,723	Short term debtors		5,842
7,396	Cash and cash equivalents	L.3	12,157
30,673	Total Current Assets		31,494
229,847	Total Assets		228,829
	Current Liabilities		
(1,942)	Cash and cash equivalents		-
(15,382)	Short term borrow ing		(2,439)
(9,872)	Short term creditors		(8,697)
(100)	Short term developers' contributions (s106)		(114)
(1,877)	Provisions		(405)
(29,173)	Total Current Liabilities		(11,655)
(60,863)	Long term borrow ing		(72,778)
(3,281)	Developers' contributions (s106)		(2,089)
(115)	Deferred liabilities		(786)
(35,003)	Net pension liability		(42,774)
(99,262)	Total Long Term Liabilities		(118,427)
(128,435)	Total Liabilities		(130,082)
101,412	Net Assets		98,747
	Financed by:		
18,430	Usable Reserves		23,391
83,076	Unusable Reserves		75,464
(94)	Lafford Homes Reserve		(108)
101,412	Total Reserves		98,747

GROUP ACCOUNTS

Group Cash Flow Statement

The Group Cash Flow Statement summarises the cash flows of the Council and its subsidiary during the year.

2017/18 Group £'000	Description	Notes	2018/19 Group £'000
10,067	Net surplus or (deficit) on the provision of services		3,054
877	Adjustment to surplus or deficit on the provision of services for non cash movements	L1 Note A	15,646
9,784	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	L1 Note A	(3,658)
20,728	Net cash flow from operating activities		15,042
(24,850)	Net cash flow from investing activities	L1 Note C	(4,106)
8,095	Net cash flow from financing activities	L1 Note D	(3,274)
3,973	Net increase or decrease in cash and cash equivalents		7,662
1,480	<i>Cash and cash equivalents at the beginning of the reporting period</i>		5,454
5,453	<i>Cash and cash equivalents at the end of the reporting period</i>	L1 Note E	12,157

GROUP ACCOUNTS

Note L1 Group Expenditure 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 the Group in comparison with those resources consumed or earned by the Group in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Group's activities. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Group Comprehensive Income and Expenditure Statement.

2017/18 revised			Description	2018/19		
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
6,021	792	6,813	Our Council	6,682	2,436	9,118
4,123	1,628	5,751	Our Communities	4,371	2,146	6,517
305	66	371	Our Economy	325	862	1,187
358	30	388	Our Environment	368	36	404
(2,599)	147	(2,452)	Our Homes	130	348	478
(9,305)	(1,023)	(10,328)	HRA	(9,759)	6,188	(3,571)
(1,097)	1,640	543	Net Cost of Service	2,117	12,016	14,133
(2,693)	(7,943)	(10,636)	Other income and expenditure	(6,084)	(10,145)	(16,229)
(3,790)	(6,303)	(10,093)	Surplus or Deficit	(3,967)	1,871	(2,096)
(1,943)			Opening General Fund and HRA balance at 31 March 2018	(2,259)		
(3,790)			(Surplus) or deficit on General Fund and HRA balance in year	(3,967)		
3,448			Transfer to reserves	3,244		
			other adjustments	1		
(2,285)			Closing General Fund, HRA and Group account (Lafford) Balance at 31 March 2019**	(2,981)		

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

GROUP ACCOUNTS

Note L1 Group Cash Flow Statement Notes

2017/18 £'000	Operating Activities Note A	2018/19 £'000
10,150	Net surplus or deficit on the provision of services	2,110
3,013	Depreciation	3,066
(3,381)	Impairment or downward valuations	7,021
25	Amortisation	25
70	Increase /decrease in interest creditors	57
182	Increase/decrease in creditors	(234)
(6)	Increase/decrease in interest debtors	28
(3,027)	Increase/decrease in debtors	2,754
-	Movement in Investments classified as Fair value through the P&L	(34)
173	Increase/decrease in inventories	(3)
2,168	Pension liability	2,789
138	Contributions to/(from) provisions	(1,472)
1,522	Carrying amount of non current assets sold	1,649
877		15,646
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(1,203)	Capital grants that are credited to surplus or deficit on the provision of services	(1,586)
13,000	Proceeds from the sale of short and long term investments	-
(2,013)	Proceeds from the sale of property plant and equipment , investment property and intangible assets	(2,072)
		-
9,784		(3,658)
20,811	Net cash flows from operating activities	14,098

2017/18 £'000	Operating Activities Interest - Note B	2018/19 £'000
295	Ordinary interest received	290
100	Opening debtor	106
(106)	Closing debtor	(78)
289	Interest Received	318
(2,204)	Interest charged for the year	(2,205)
(227)	Opening creditor	(297)
297	Closing creditor	354
(2,134)	Interest Paid	(2,148)

GROUP ACCOUNTS

2017/18 £'000	Investing Activities Note C	2018/19 £'000
(14,425)	Property, plant and equipment purchased	(9,633)
-	Purchase of new Finance Leases	778
(1,304)	Opening capital creditors	(970)
970	Closing capital creditors	1,238
(14,759)	Purchase of property plant and equipment, investment property, and intangible assets	(8,587)
(13,000)	Purchase of short term investments	(7,000)
(2,000)	Purchase of long term investments	-
(15,000)	Purchase of short and long term investments	(7,000)
(172)	Long term loans granted - capital grants repaid	(2,192)
2,022	Proceeds from the sale of property plant and equipment, investment property, and intangible assets	2,074
-	Proceeds from short term investments	9,000
-	Proceeds from short term and long term investments	8,882
3,059	Capital grants received	2,599
(24,850)	Net cash from investing activities	(4,106)
	Treasury Management Transactions During the Year:-	
134,015	Out to investments	175,961
128,992	Back from investments	173,160

2017/18 £'000	Financing Activities Note D	2018/19 £'000
9,500	Cash receipts of short-term and long-term borrowing	14,000
844	Billing authorities - Council tax and NNDR adjustments	(2,014)
(2,103)	Repayment of short-term and long-term borrowing	(15,086)
(146)	Payments for the reduction of a finance lease liability	(174)
8,095	Net cash flows from financing activities	(3,274)

2017/18 £'000	Make up of Cash and Cash Equivalents Note E	2018/19 £'000
1,797	Cash and bank balances	985
6,370	Cash investments-regarded as cash equivalents	11,172
(2,714)	Bank overdraft	-
5,453	Total	12,157

GROUP ACCOUNTS

Note L2 Property Plant and Equipment

	Operational assets						Non-operational assets		Assets	
2017/18	Council Dwellings	Other Land and Buildings	Vehicles Plant & Equipment	Infrastructure Assets	Community Assets	Total	Surplus Assets	Assets Under Construction	Total	Grand Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation										
Gross book value as at 1 April 2017	153,558	20,282	5,316	1,200	379	180,735	285	4,750	5,035	185,770
Additions	2,096	7	4	-	-	2,107	-	9,418	9,418	11,525
Derecognition - Disposals	(1,532)	-	(13)	-	-	(1,545)	-	-	-	(1,545)
Derecognition - Others	(1,730)	-	(386)	-	-	(2,116)	-	-	-	(2,116)
Reclassifications	18	988	-	(454)	-	552	(210)	(1,023)	(1,233)	(681)
Revaluation increases / (decreases) recognised in the surplus/deficit of services	2,934	(13)	-	-	-	2,921	-	-	-	2,921
Revaluation increases / (decreases) recognised in the revaluation reserve	-	1,381	-	-	-	1,381	-	-	-	1,381
GBV At 31 March 2018	155,344	22,645	4,921	746	379	184,035	75	13,145	13,220	197,255
Depreciation and Impairment										
Accumulated depreciation & Impairments	(1,392)	-	(3,057)	(225)	-	(4,674)	-	-	-	(4,674)
Charge for year	(1,993)	(485)	(479)	(50)	-	(3,007)	-	-	-	(3,007)
Depreciation written out to the Revaluation Reserve	-	492	-	-	-	492	-	-	-	492
Depreciation written out to the Surplus/Deficit on provision of services	2,085	106	-	-	-	2,191	-	-	-	2,191
Derecognition - Other	-	-	387	-	-	387	-	-	-	387
Derecognition - Disposals	20	-	4	-	-	24	-	-	-	24
Reclassifications	-	(113)	-	113	-	-	-	-	-	-
At 31 March 2018	(1,280)	-	(3,145)	(162)	-	(4,587)	-	-	-	(4,587)
Balance sheet at 31 March 2018	154,064	22,645	1,776	584	379	179,448	75	13,145	13,220	192,668
Balance sheet at 31 March 2017	152,166	20,282	2,260	975	379	176,062	285	4,750	4,783	180,845

GROUP ACCOUNTS

	Operational assets						Non-operational assets		Assets	
2018/19	Council Dwellings	Other Land and Buildings	Vehicles Plant & Equipment	Infrastructure Assets	Community Assets	Total	Surplus Assets	Assets Under Construction	Total	Grand Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation										
Gross book value as at 1 April 2018	155,344	22,645	4,921	746	379	184,035	75	13,145	13,220	197,255
Additions	1,832	780	683	-	-	3,295	85	6,192	6,277	9,572
Derecognition - Disposals	-	(500)	-	-	-	(500)	-	-	-	(500)
Derecognition - Others	(1,662)	-	(1,340)	-	-	(3,002)	-	(31)	(31)	(3,033)
Reclassifications	6,977	4,404	-	-	(6)	11,375	512	(13,504)	(12,992)	(1,617)
Revaluation increases / (decreases) recognised in the surplus/deficit of services	(5,062)	(3,088)	-	-	-	(8,150)	(124)	-	(124)	(8,274)
Revaluation increases / (decreases) recognised in the revaluation reserve	-	(221)	-	13	66	(142)	(78)	-	(78)	(220)
Assets reclassified (to) / from Held for Sale	(1,131)	-	-	-	-	(1,131)	-	-	-	(1,131)
GBV At 31 March 2019	156,298	24,020	4,264	759	439	185,780	470	5,802	6,272	192,052
Depreciation and Impairment										
Accumulated depreciation & Impairments	(1,279)	-	(3,145)	(162)	-	(4,586)	-	-	-	(4,586)
Charge for year	(2,010)	(530)	(491)	(24)	-	(3,055)	-	-	-	(3,055)
Depreciation written out to the Revaluation Reserve	-	416	-	-	-	416	7	-	7	423
Depreciation written out to the Surplus/Deficit on provision of services	1,994	107	-	-	-	2,101	-	-	-	2,101
Impairments (losses)/reversals recognised in the Surplus/Deficit on provision of services	846	-	-	-	-	631	-	-	-	631
Derecognition - Other	-	-	1,340	-	-	1,340	-	-	-	1,340
Derecognition - Disposals	16	-	-	-	-	16	-	-	-	16
Reclassifications	-	7	-	-	-	(3,142)	(7)	-	(7)	(3,135)
At 31 March 2018	(433)	-	(2,296)	(186)	-	(6,279)	-	-	-	(9,194)
Balance sheet at 31 March 2019	155,865	24,020	1,968	573	439	182,865	470	5,802	6,272	189,137
Balance sheet at 31 March 2018	154,064	22,645	1,777	584	379	179,449	75	13,145	13,220	192,669

GROUP ACCOUNTS

Note L3 Cash and Cash Equivalents

31/03/2018 £'000	Group Cash and Cash Equivalents	31/03/2019 £'000
1,797	Bank current accounts	985
6,370	Money Market funds	11,172
(2,714)	Bank overdraft	-
5,453	Total	12,157

Note L4 Investment Properties

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

31/03/2018 £'000	Investment Properties	31/03/2019 £'000
-	Balance at the start of the year	3,821
	Additions:	
-	Purchases	22
2,900	Subsequent expenditure	37
-	Net gain/(loss) from fair value adjustments	3
	Transfers:	
921	to/from property, plant and equipment	1,617
3,821	Total	5,500

Fair value hierarchy

Details of the investment properties and information about the fair value hierarchy as at 31 March 2019 and 2018 are as follows:

	Other significant observable inputs Level 2 £'000	Fair Value 2018/19 £'000
Residential (market Rental) Properties	5,500	5,500
Total		5,500

2017/18 Comparative Figures

	Other significant observable inputs Level 2 £'000	Fair Value 2017/18 £'000
Residential (market Rental) Properties	3,821	3,821
Total		3,821

Transfers between Levels of the Fair Value Hierarchy

During the year there has been no transfers between levels.

Valuation Techniques used to Determine Level 2 Fair value of investment properties

The Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investment properties have been valued to fair value utilising a market value basis.

Market value is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Highest and best use of Investment Properties

In estimating the fair value of investment properties, the highest and best use of the properties is their current use.

Valuation Techniques

This is the first year a valuation has been performed on the Investment properties.

Valuation Process for Investment Properties

The fair value of the Investment properties have been measured as at 31 March 2019 and will now be measured at the end of each reporting period. All valuations have been carried out externally in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

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

Report on the financial statements

Opinion

We have audited the financial statements of North Kesteven District Council ('the Council') and its subsidiary ('the Group') for the year ended 31 March 2019, which comprise the Council and Group Comprehensive Income and Expenditure Statements, the Council and Group Movement in Reserves Statements, the Council and Group Balance Sheets, the Council and Group Cash Flow Statements, the Council's Housing Revenue Account, the Council's Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of North Kesteven District Council and the Group as at 31 March 2019 and of the Council's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

AUDITOR'S REPORT

We have nothing to report in this regard.

Responsibilities of the Director of Resources for the financial statements

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Director of 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 2018/19, and for being satisfied that they give a true and fair view. The Director of Resources is also responsible for such internal control as the Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Director of Resources is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

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

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, North Kesteven District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

AUDITOR'S REPORT

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the 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 Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

Responsibilities of the Council

The Council 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 for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

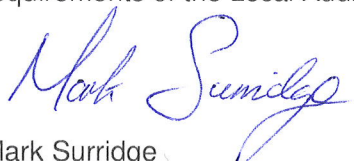
We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Use of the audit report

This report is made solely to the members of North Kesteven District Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council 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 Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

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



Mark Surridge
For and on behalf of Mazars LLP
45 Church Street
Birmingham
B3 2RT

30 July 2019

GLOSSARY

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.

Billing Authorities

Those authorities that set Council Tax and collect Council Tax and Non-Domestic Rates (Business Rates).

GLOSSARY

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

Annual 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 Programme

The capital projects a Council proposes to undertake over a set period of time.

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.

GLOSSARY

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.

MHCLG

Ministry of Housing, 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.

Group Accounts

Accounts showing the trading results and financial position of each company in a combined form.

GLOSSARY

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.

Infrastructure Assets

Expenditure on works of construction or improvement but which have no tangible value, such as construction of or improvement to highways.

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.

GLOSSARY

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.

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.

Precepting Authorities

Those authorities that are not billing authorities (i.e. do not collect Council Tax or NDR) and precept upon the billing Council, which then collects it on their behalf. Lincolnshire County Council, Lincolnshire Police Authority/Police and Crime Commissioner, Lincolnshire Fire and Rescue Authority and Parish Councils all precept upon North Kesteven District Council.

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.

GLOSSARY

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.

Business Rates Appeal Reserve	Maintained to meet any expenditure in relation to business rate appeals.
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
General Fund - Earmarked Expenditure Reserve	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
Environmental Reserve	Maintained to cover the extraordinary costs of Drainage Schemes and contaminated land issues as well as other Environmental Schemes
General Fund	Resources available to meet future running costs of non-housing services
Housing Services Reserve	Maintained to fund a variety of future housing initiatives.
HRA – Affordable/Target Rents Reserve	Created to set aside rental income from affordable rents for the funding of replacement new build dwellings per government agreement.
HRA – Housing Revenue Account	Resources available to meet future running costs of Council Houses
Income Volatility Reserve	To minimise the impact of the increasing level of volatility in the Councils major and diverse income streams and to assist with managing reductions in funding arising from Central Government policy.
Invest to Save Reserve	Additional resources to promote and implement initiatives
Local Elections Reserve	Created to fund and smooth the costs of the District Council elections.
Monitoring Officer Investigations Reserve	To provide a fund to allow the Monitoring Officer to undertake investigations as required to fulfil their role.
New Homes Bonus Reserve	To accommodate increased infrastructure costs associated from additional new homes in district and facilitate the delivery of projects of local benefit.
Our Communities	To support the delivery of activities relating to the 'Our Communities' element of the Corporate Plan.

GLOSSARY

Our Communities - Homelessness Reserve	Contains funding for a variety of homelessness initiatives that are in the process of being implemented by the Council
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 Council - ICT Reserve	Maintained in order to protect and smooth the investment required to maintain fit for purpose IT arrangements
Our Economy Reserve	Contains the funding awarded under the Local Authority Business Growth Incentive Scheme and funding earmarked to support the Greater Lincoln Transport Strategy. This reserve will be utilised on Our Economy and Regeneration related Schemes.
Our Homes Reserve	To assist with the delivery of key activities relating to the 'Our Homes' element of the Corporate Plan in the form of support, specialist advice or pump priming. This reserve includes funding previously received through Housing and Planning Grant.
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

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.

Annual Governance Statement 2018/19



V.2 JUNE 2019

North Kesteven
DISTRICT COUNCIL

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Introduction

North Kesteven remains a great place to live, work, and visit. The district population continues to grow at a faster rate compared with most of England, driven mainly by people moving into the district from other parts of the UK.

Sustainable growth is key to our ongoing success. As such we have adopted the theme of “Our Environment” with the focus on four key areas: Places, Sustainability, Heritage, and Climate.

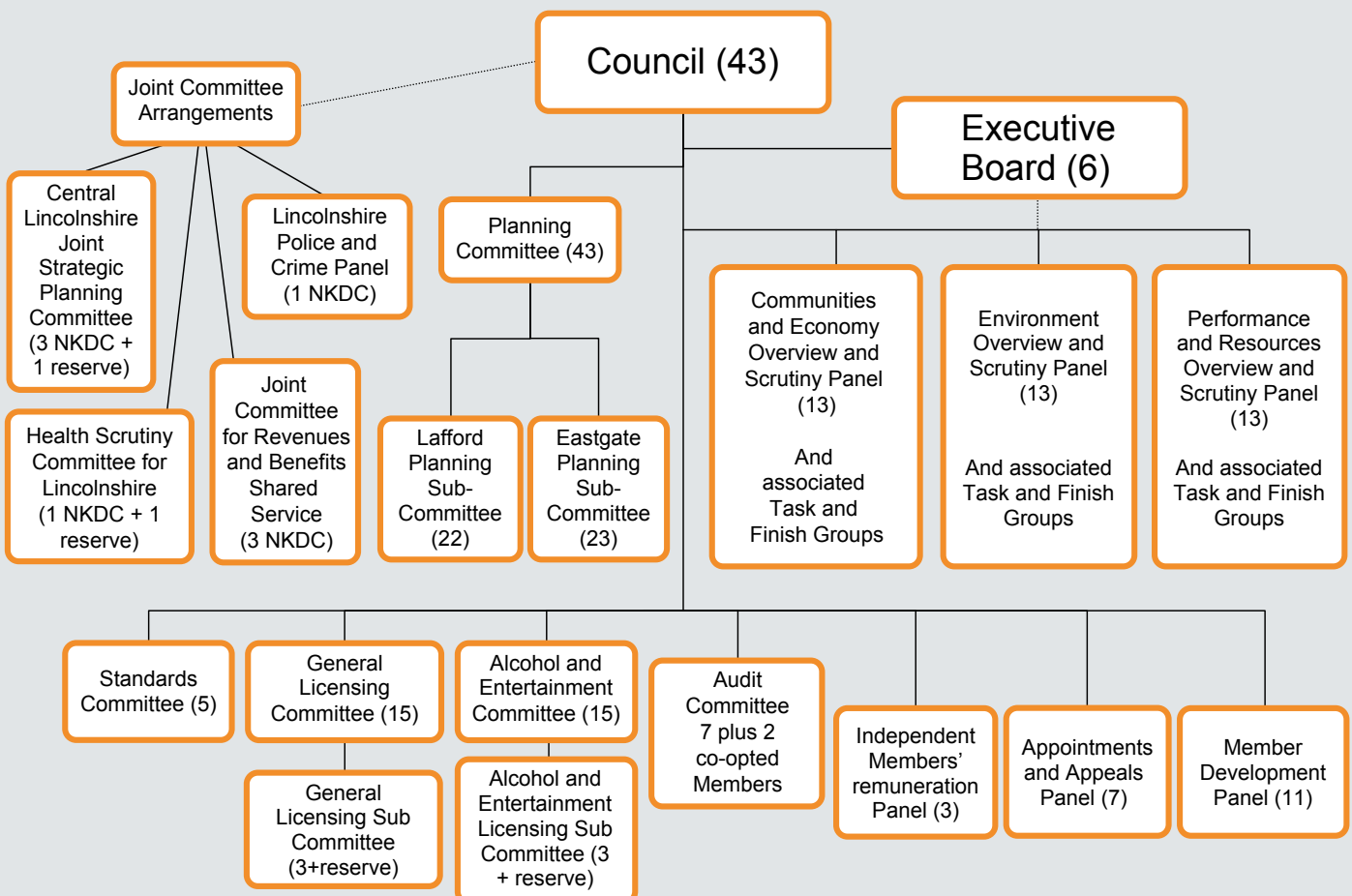
Ambitions

The NK Plan is about making a difference for people and communities in North Kesteven. It is a plan designed to ensure that the Council continues to deliver excellent services for the 100 flourishing communities in North Kesteven, whilst tackling the main challenges facing the district.

The NK Plan describes what we are planning to do, the resources (people and money) that we have available to do that, and how we will measure success. The plan therefore summarises our strategy, budget and performance framework for the next three years.

We are confident that we will deliver the aspirations described in the NK plan and will deliver this through the formal structures set out below.

NK District Council - 43 Members



Scope of Responsibility

North Kesteven District Council is responsible for ensuring that its activities are conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in exercising its functions having regard to a combination of economy, efficiency and effectiveness.

In discharging its responsibilities the Council has put in place arrangements for the governance of its activities which facilitate the effective exercise of its functions including arrangements for the management of risk.

The Chief Executive and the Deputy Chief Executive together with the Director of Resources (Section 151 Officer) are members of the Councils Corporate Management Team. Through this arrangement the Council conforms to the CIPFA requirements and guidance as set out in the CIPFA framework.

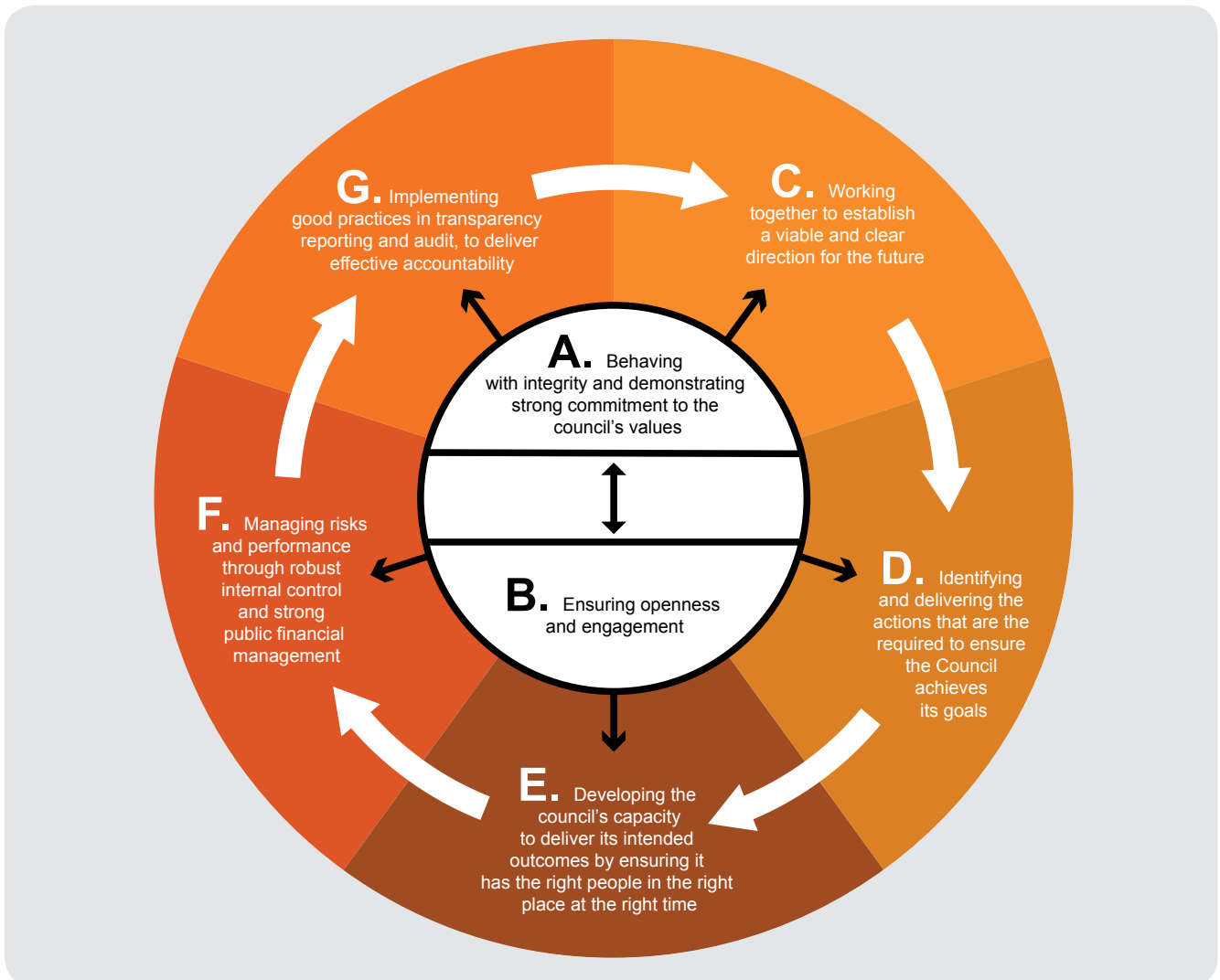
The Monitoring Officer role is being undertaken by an officer employed by Legal Services Lincolnshire and the Democratic Services Manager at North Kesteven District Council is undertaking the role of the Deputy Monitoring Officer.

North Kesteven District Council has in place corporate governance arrangements and has adopted a local Governance Code. This Code is consistent with the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government".

This Annual Governance Statement explains how North Kesteven District Council has complied with the Code and Framework and it also meets the requirements of Accounts and Audit (England) Regulations 2011 which requires all relevant bodies to prepare and publish an annual governance statement.

Purpose

The Council's Code of Local Governance comprises the systems and processes, culture and values by which the Council is directed and controlled. The Code places sustainable economic, societal and environmental outcomes as a key focus for the Council's governance framework. This has been developed to enable the Council to shape its own approach to effective governance which takes into account the Council's Vision, Corporate Objectives and Values.



The purpose of the Code is to do the right things, in the right way for the right people in a timely, inclusive, transparent, efficient and accountable manner.

At the heart of the Council's Code of Local Governance are the core principles of good governance. The Code uses the International Framework as its foundation but has interpreted the core principles to ensure they accurately reflect the Council's governance arrangements, behaviours and outcomes.

The Council's Governance Code sets out the Council's commitment to the principles of good governance, establishes the Council's local structure and ensures that it operates effectively in practice and in a way which supports our corporate priorities.

The Process of Reviewing the Council's Corporate Governance Arrangements

To ensure an effective and fit for purpose review of the Council's governance arrangements a team of Officers reviewed evidence and considered these against the CIPFA Guidance and the Council's Code of Local Governance with full engagement as follows;

The role of the Council

- Members of the Audit Committee have participated in the annual review of the Council's corporate governance arrangements.
- The Leader of the Council and The Chief Executive have overseen the review and signed the Annual Governance Statement.

The role of the Executive

- The findings of the governance review have been reported to the Corporate Management Team and shared with the Executive Board for their consideration.

The role of the Audit Committee

- The findings of the annual governance review have been reported to the Audit Committee and they have satisfied themselves that the Annual Governance Statement properly reflects the risk environment and the actions required to improve it.

North Kesteven District Council is committed to ensuring good governance throughout its activities and the Code commits the Council to following the principles as set out below:



A. Behaving with integrity and demonstrating strong commitment to the Council's values. How we do this:

- Members and officers behave with integrity and lead by example at all times.
- Creating the environment to ensure that the statutory officers and other key post holders are able to fulfil their responsibilities.
- Striving to use the authority's full powers for the benefit of its citizens, its communities and other stakeholders.
- Dealing with breaches of legal and regulatory provisions effectively.
- Ensuring fraud, corruption and misuse of power are dealt with effectively.



B. Ensuring openness and engagement. How we do this:

- Demonstrating, documenting and communicating the Council's commitment to openness.
- Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, being clear about the impact and consequences of those decisions.
- Effectively engaging with stakeholders to ensure that outcomes are achieved successfully and sustainably.
- Developing formal and informal collaborative arrangements with other institutional stakeholders (such as other public sector bodies, third sector or private sector entities) to allow for resources to be used more efficiently and outcomes achieved more effectively.



C. Working together to establish a viable and clear direction for the future. How we do this:

- Having a clear vision and strategy of the Council's purpose and intended outcomes defined on a sustainable basis within the resources that will be available.
- Managing expectations effectively with regard to determining priorities and making the best use of the resources available.
- Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the authority's intended outcomes and short-term factors.
- Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible and appropriate.



D. Identifying and delivering the actions that are required to ensure the Council achieves its goals. How we do this:

- Engaging with internal and external stakeholders in determining how services and other interventions can best be delivered.
- Ensuring best value is achieved and establishing and implementing robust control processes that cover strategic and operational plans, priorities and targets by preparing budgets in accordance with organizational priorities, strategies and the medium term financial plan.
- Considering feedback from service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.
- Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimizing resource usage.
- Ensuring the achievement of 'social value' through service planning and commissioning.

Continued:

**E. Developing the council's capacity to deliver its intended outcomes by ensuring it has the right people in the right place at the right time. How we do this:**

- Ensuring the capabilities of senior management enable the Council to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks.
- Reviewing operations and performance on a regular basis to ensure their continuing effectiveness and enable learning.
- Developing and maintaining robust procurement policies and procedures which place emphasis on the Council's ethical values and objectives and deliver cost effective goods and services.
- Appointing a senior officer (the S151 officer) who is responsible for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts and maintaining an effective system of internal financial control.
- Appointing a senior officer (the monitoring officer) who is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.
- Ensuring members and senior officers have the appropriate skills, knowledge resources and support to fulfil their roles and responsibilities.
- Implementing appropriate human resource policies and ensuring that they are working effectively and creating an environment where staff can perform well and ideas and suggestions are welcomed.

**F. Managing risks and performance through robust internal control and strong public financial management. How we do this:**

- Recognising that risk management is an integral part of all activities, is regarded as a continuous process and the implementation of robust and integrated risk management arrangements which are aligned with achieving the authority's objectives.
- Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.
- Ensuring an audit committee or equivalent group or function which is independent of the executive provides a further source of assurance regarding the authority's arrangements for managing risk and maintaining an effective control environment.
- Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to ensure the security of personal data used.
- Ensuring well developed financial management is integrated at all levels of planning and control including management of financial risks and controls.

**G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability. How we do this:**

- Reporting at least annually in a timely manner to demonstrate to stakeholders in an understandable way on issues including how the authority is performing, whether it is delivering value for money and the stewardship of its resources.
- Ensuring that an effective external audit service is in place and acting on recommendations made for corrective action.
- Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to the authority's governance arrangements and recommendations are acted upon.
- Welcoming peer challenge, reviews and inspections from other bodies.

Combined Assurance

The Council undertakes a number of processes to provide assurance that our governance arrangements are effective, including the combined assurance process conducted on our behalf by our Internal Audit Team.

The purpose of the combined assurance process is to identify the weaknesses and gaps in our arrangements and inform the Annual Audit Plan.

The Council adopts the 'three lines of assurance methodology' which our internal audit function (Assurance Lincolnshire) provides for us as shown below.



The approach includes a critical review or assessment on the level of confidence the Board can have on its service delivery arrangements, management of risks, operation of controls and performance.

This is done by:

- Speaking to senior and operational managers who have the day to day responsibility for managing and controlling their service activities.
- Working with corporate functions and using other third party inspections to provide information on performance, successful delivery and organisational learning.
- Using the outcome of Internal Audit work to provide independent insight and assurance opinions.
- Considering other information and business intelligence that feed into and has potential to impact on assurance.

Reviewing the Effectiveness of Our Governance Arrangements

To ensure a thorough review of the effectiveness of the Council's governance arrangements has been undertaken a full review of the policies, procedures, codes, values, culture and other documentation was conducted.

The Local Code of Governance and the process for producing the Annual Governance Statement have both undergone successful review this year with no changes required.

The review measured the arrangements against a pre-determined 'ideal state'. Where a mismatch between its ideal state and current state was identified an improvement was noted.

Each piece of the Council's governance controls have been aligned to one of the seven Code Principles to ensure the review is fit for purpose and meets the requirements of current Codes of Practice. The following arrangements were reviewed;

- **Constitution**
- **Financial Controls**
- **Code of Conduct**
- **Access to Information**
- **Whistleblowing Arrangements**
- **Council Values**
- **Consultation Arrangements**
- **Strategic Planning**
- **Partnership Working Arrangements**
- **Challenge and Review Processes**
- **Statutory Enforcement Policies**
- **Organisation Development Systems**
- **Performance Measures**
- **Internal and External Control Mechanisms**
- **Risk Management Procedures**

Internal Audit Annual Report

The Head of Internal Audit Annual Report and the opinion on the adequacy and effectiveness of North Kesteven District Council's arrangements for governance, risk management and control is:

Governance	Performing Well – Improvements identified over the Council's Governance, Risk and Control framework or to manage medium risks across the Council
Risk	Performing Well – No concerns that significantly affect the governance, risk and control framework and successful delivery of the Council priorities
Internal Control	Improvement needed – Improvement required to manage a significant governance issue or high risk in a specific business area or medium risk across the Council
Financial Control	Performing Well – No concerns that significantly affect the governance, risk and control framework and successful delivery of the Council priorities

Each year the Council is required to reflect on how its governance arrangements have worked identifying any significant governance issues that it feels should be drawn to the attention of the public in the interests of accountability and transparency. No significant governance issues have been identified by the Council in 2019.

There are a number of internal audit reports where Internal Audit gave a low assurance opinion namely:

There were two low assurance reports:

- **Building Control**
- **Information Governance and General Data Protection Regulations (GDPR)**

There were three limited assurance opinions agreed with management which were:

- **Housing Application One Serve**
- **ICT Infrastructure Plans**
- **Key Control Testing Insurance Renewal Process**

This is an increase in low and limited assurance opinions when compared to 2017/18.

Management have plans and actions in place which aim to address the issues raised.

Statement of Significant Governance Issues and Overall Assurance

The review of the governance arrangements has identified no significant issues and the overall assessment of assurance has been determined to be that successful delivery of good governance appears probable however constant attention is required to ensure the identified improvements are delivered and that further governance issues do not arise.

To ensure a cycle of continuous improvement the following items have been identified as requiring action;

- **Safeguarding - it is acknowledged that the process is performing effectively, but we recognise that a review is due to take place.**
- **NK Plan Consultation - the process is effective, however there is further opportunity to continue to seek a greater number of responses from the younger demographic.**
- **HRA Business Plan - requires updating.**
- **Internal Communications Strategy and policy communication.**
- **Strategic Risks and Risk Appetite - a full review is underway and will be complete by mid-2019.**
- **Member Development arrangements - a full review is currently underway.**
- **Overview and Scrutiny arrangements - a full review is currently underway.**
- **Publication of Freedom of Information requests - the process and systems are effective. Options for the publication of the requests on the internet is currently being investigated.**
- **Complete the internal audit actions for Information Governance and General Data Protection Regulations (GDPR).**

Looking Back on 2017/18

A number of improvement actions were identified as part of the 2017/18 Annual Governance Statement. The table below shows progress with the identified actions, some of which are considered to be distinct projects with a predetermined completion date. Others are ongoing process in a cycle of continuous improvements.

Action Identified	Progress
Officers Code of Conduct	Completed
Officers Register of Interests	Completed
Gifts and Hospitality (Officers)	Completed
Review Overview and Scrutiny Arrangements	Ongoing
Data Protection	Completed
Information & Records Management & Retention	Completed
HRA Asset Management Arrangements	Completed

Emerging Risks

The Councils Risk Management strategy supports a culture of proactive risk identification and well measured risk taking throughout activities at a strategic, operational and project level.

During the co-ordination of assurance Senior Management identified potential emerging risks that may affect successful delivery in the future. They do not currently impact on the assurances previously given in the report.

Early identification of emerging risks protects and adds value to the Council and can contribute to more effective and informed decision making, planning and prioritisation and improved use and allocation of resources.

The high percentage of amber emerging risks reflect the Councils energetic and ambitious project delivery programme. Assurance that these emerging risks have been identified and are being managed effectively can be gained through the Councils thorough project management systems.

The table below provides an overview of the emerging risks facing the Council and gives a brief summary of the actions being taken to mitigate the threat they pose.

Risk	Mitigating Actions	Risk Rating
Waste contamination	Ongoing work to address the recycling contamination risk working with the waste partnership	Red
Staff retention	Ongoing work to manage and identify the impact it can have on the whole Council	Amber
Rental income	Ongoing work to identify how the introduction of Universal Credit could impact on arrears and income collection	Amber

Key

- Red** = High impact on resources, significant costs likely, high impact on service delivery
- Amber** = Medium or short term impact on resources, costs covered within existing financial plans, low impact on service delivery
- Green** = Monitor and be aware, activity to mitigate risk within existing service delivery plans

Strategic Risks

The Strategic Risk Register is closely aligned to the NK Plan. During January 2019, all Strategic Risks and the Councils Risk Appetite have undergone a thorough review by the Senior Management Team.

At the time of writing this report the details of the risk description, risk appetites and risk ratings are still being finalised. However, the key themes for the strategic risks are:

Risk	Mitigating Actions	Risk Rating
Ineffective response to demographic change	Opportunistic. Taking a collaborative approach to recognise and drive the opportunities that lead to the development of economic and business sustainability and improvement	Low
ICT not effective	Creative and Aware. Creative and open to considering all potential delivery options, with well measured risk taking whilst being aware of the impact of key decisions	Low
Ineffective delivery of key investment programmes	Creative and Aware. Creative and open to considering all potential delivery options, with well measured risk taking whilst being aware of the impact of key decisions	Low
A workforce that is highly skilled and motivated is not maintained	Opportunistic. Taking a collaborative approach to recognise and drive the opportunities that lead to the development of economic and business sustainability and improvement	Low
Increasing or unknown financial pressure	Opportunistic. Taking a collaborative approach to recognise and drive the opportunities that lead to the development of economic and business sustainability and improvement	Medium
Failing to identify and respond to legislative or policy change	Cautious. Willing to accept some risk but prefer safer options, minimising risk exposure with tight corporate controls over change	Low
Failure to respond to the risk associated with the plans for the UK to leave the European Union (Brexit)	Creative and Aware. Creative and open to considering all potential delivery options, with well measured risk taking whilst being aware of the impact of key decisions	Medium

Initial discussions indicate that there will be no strategic risks given a red or high-risk rating and that controls to mitigate the impact or likelihood of the strategic risks are in place and effective.

As Leader and Chief Executive of North Kesteven District Council we have been advised on the result of the review of the effectiveness of the governance framework and that the arrangements continue to be regarded as fit for purpose but recognise that to ensure continuous improvement areas have been identified which require additional work.

We propose over the coming year to take steps to address the matters identified to further enhance our governance arrangements.

We are satisfied that these steps will address the need for improvement and will take steps to monitor their implementation as part of our next annual review.

Signed

A handwritten signature in black ink, appearing to be 'R Wright', with a long horizontal stroke extending to the right.

Cllr Richard Wright
Leader of the Council

A handwritten signature in black ink, appearing to be 'Ian Fytche', with a long horizontal stroke extending to the right.

Ian Fytche
Chief Executive

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Annual
Governance
Statement
2018/19



North Kesteven
DISTRICT COUNCIL