

# 2022/23

## Statement of Accounts North Kesteven District Council



**North Kesteven**  
DISTRICT COUNCIL

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### Leader Introduction

It is my great pleasure to present our Statement of Accounts for the year up to March 31, 2023; both as a statutory requirement and as a proud indication of the solid financial foundation we have built for North Kesteven.

It shows that through continued good management, planning and an ambitious approach to tackling the financial challenges we face, the Council remains in a strong financial position.

Over the years the Council has built resilience and strength into its finances, in a far-sighted approach to ensure that it is able to deliver and develop high-quality services which represent excellent value for money, identify efficiencies and invest in opportunities for growth and community safeguards.

Underpinning this is a robust, responsive and responsible financial strategy, at the heart of which sits the Council's clear commitment to support, encourage and build a District of Flourishing Communities.

Focused on achieving a balanced General Fund profile for the one-, three- and ten-year horizons, our financial overview builds on the achievements of the past and sets out a clear direction for the future, in conjunction with the Council's corporate plan – the NK Plan.

There are a lot of numbers in here and a lot of technical accounting speak, but we have striven to make it as

straightforward as we can. Openness and transparency are critical in developing confidence and certainty in what we do with your taxes, fees, charges and rents – and I assure you that your money is used to best effect in all that we do.

In short, that is what these accounts show; validating a confidence expressed by residents where respondents to our annual surveys consistently give high ratings for the way the Council runs things, the quality of services and the value for money they represent.

Whilst these accounts look back on the past year, they also set the scene for moving forward into the years ahead.

Going into the current year, the finance strategy was in a positive place, balanced and creating the capacity to invest an increased £255million in priorities and services over the next decade. This includes completion of a £70m enterprise park in Sleaford, £60m to significantly expand the Council's social housing portfolio by 250-plus properties, including £9m extra care provision, £65m of stock improvements to existing council homes and £65m to unlock more housing choice in the private rental sector.

Built around a robust Medium Term Financial Strategy, the broader financial plan includes the General Fund for the delivery of daily services, opportunities for income generation and planned efficiencies, the Housing Revenue

Account with a viable 30-year view and, to support investment in the District and the five corporate priorities, our Capital Programme providing for a ten-year investment strategy consistent with our broader aims of achieving carbon-neutrality by 2030. The next steps in the realisation of these ambitions is contained in a visual representation of the current corporate plan, the NK Plan, which can be found at [www.n-kesteven.gov.uk/NKPlan](http://www.n-kesteven.gov.uk/NKPlan)

Such an ambitious and innovative programme of activity is designed to ensure the Council maintains its already robust financial position and proactively meets the challenges the District faces, identifying invest-to-save opportunities and driving these forward in ways that future-proof it.

Nevertheless, the financial environment for local government remains challenging; with ongoing uncertainty over the financial framework for local government in England and the long-term impacts of the coronavirus pandemic. In response, we are redoubling our efforts, investments in services where these are most needed to support our communities, whilst maintaining a watchful eye on the longer-term to ensure ongoing resilience and strength.

Despite the ever-present and emerging challenges, as this Statement of Accounts shows, this Council's finances remain in a strong and resilient position.



Council Leader  
Richard Wright

A handwritten signature in black ink, appearing to read 'Richard Wright', with a long horizontal flourish extending to the right.

# 1. Narrative Report

## 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 residents live in around 100 mainly small communities. The population estimate of the District is 118,149, an increase of 1.1% on the year before and above the national average of 0.5%. Major concentrations are in Sleaford, with a population of nearly 19,500; North Hykeham, with around 16,400 residents; and 11 larger villages, providing a range of services, with populations of over 5,000. The District is characterised by small settlements and large areas of farmland. More than 64% of the population live in rural settlements, including villages or market towns, therefore North Kesteven has been classified as being 'mainly rural'. Within the District, nearly a third of the population live in the "Lincoln Fringe", the area immediately surrounding Lincoln City.

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.



## North Kesteven Map





## 1. Narrative Report

## 2. North Kesteven – The Council

### Challenges

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

- The Government's Fair Funding Review and Spending Review were again delayed and 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.
- A one year finance settlement means uncertainty remains in the sector.
- The impact of Covid-19 and the recovery from it will undoubtedly impact on the Council, its communities and businesses for a number of years to come.
- Soaring inflation, energy prices and national living wage increases are leading to significant budget pressures.
- North Kesteven's population is one of the fastest growing and this brings increased demand for public services.

### 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 plan to do.

- Increase cycling infrastructure to support safe, confident and enhanced active travel and sport-riding provision.
- Deliver identified actions and projects to build further on our engagement within the District and promote equality and diversity
- Continue to work successfully with partners to tackle both childhood and adult obesity.
- Work with partners to ensure North Kesteven remains one of the safest local authority areas in England.

### What we've done recently.

- Delivered the £1.2m re-invigoration of the Hub in Sleaford, facilitating easier and broader community access to the arts
- Set up a Community Lottery to support community groups and beneficiaries
- Fully rolled-out enhanced recycling provision with the separate collection of paper and card to maximise potential for effective, repeated, high value re-purposing of resources
- Established a new Community Development Partnership and a Covid-recovery partnership of voluntary and community groups, with funding of £40,000 allocated to build community resilience initiatives
- Championed the community volunteers through our annual awards

## Our Economy

### What we plan to do

- Begin construction on the 37-acre Sleaford Moor Enterprise Park with a view to completion in winter 2022
- Refresh the Sleaford Masterplan to ensure the strategic framework for the town's future is reflective, responsive and aligned to local aims and ambitions
- Continue supporting businesses in recovery following the coronavirus pandemic and in their aspirations to grow
- Review options for the Heart of Sleaford and the town's historic market place
- Explore opportunities for a business forum to offer a further level of business support and engagement

### What we've done recently

Started on the development of phase one of Sleaford Moor Enterprise Park, which involves the construction of 15 commercial units totalling around 40,000 square foot. This is the first phase of circa £70 million investment, designed to be as climate conscious as possible; Submitted and had approved our UKSPF Investment Plan by Government that outlines how we will deliver our £3.2 million investment programme up to March 2025. Key projects will cover town centre regeneration, events programme, visitor economy improvements and business and skills support; Obtained planning approval for the relocation of Cranwell Aviation Heritage Museum and refreshed the business planning case for the delivery of the project;

# 1. Narrative Report

## Our Environment

### What we plan to do

- Fulfil with partners a review of the Central Lincolnshire Local Plan with an aim to it becoming the first of its kind to aim for carbon neutrality
- Enhancement of habitat and public access along the River Slea in Sleaford
- Review the efficiency of our refuse vehicle fleet and explore what alternative fuel options are viable
- Further develop meaningful climate action, and a costed pathway to achieve net-zero by 2030; informed by working groups focused on transport & domestic emissions, land use & carbon capture, adaptation and energy use

### What we've done recently

- Committed to achieving carbon neutrality for both the Council and the District by 2030; an ambition backed by a dynamic action plan
- Extended engagement opportunities across our communities to maximise carbon reduction within our District
- Put more resource and emphasis into the officer team charged with delivering aspects of the climate leadership, engagement and commitment for change
- Begun an expansion of tree cover for carbon capture and broader environmental gain, with 700 saplings planted within Sleaford

## Our Homes

### What we plan to do

- Work with developers to deliver more homes in the District, including at least 100 more affordable homes and to a higher environment and energy conscious specification
- Continue to invest in line with the Lafford Homes' business plan to deliver more affordable rental choice locally
- Move forward a £3.9m regeneration of Grinter House in North Hykeham, expanding provision to 34 units for mixed use
- Work with Greater Lincolnshire partners to increase infrastructure delivery, more housing and progress net zero carbon and modern methods of construction initiatives
- Work with owners to bring back into use at least 20 more empty homes annually

### What we've done recently

- Over the last financial year we have added a further 11 new homes to our housing stock, these properties are let to those on the Council's Housing register, Lincs Homefinder
- Continued in our ambition of net zero carbon by 2030 by adding 8 Passivhauses at Potterhanworth, part of the new CO2-sy Homes Standard for comfortable, climate-protecting homes. We have also introduced plans to retrofit our existing homes to reduce energy consumption
- In partnership with 3 other Lincolnshire councils we have received funding to continue our rough sleeper initiative, Change4Lincs, providing an off the street offer of accommodation and support to break the cycle of homelessness
- Continued to support Lafford Homes Ltd in the provision of additional high quality rented homes, completing their development at Orford Avenue Waddington, and nearing completion of another 20 homes in Metherringham and 3 homes in Sleaford

## Our Council

### What we plan to do

- Ensure sound finances and a balanced budget are maintained
- Begin delivery of the re-focused Transformation Programme to enhance efficiencies and effectiveness
- Deliver a number of constitutional innovations and a refreshed focus on resident engagement in line with the suggestions of the Corporate Peer Challenge of 2021
- Undertake a review of waste collection routes to ensure best efficiency and level of service
- Develop and strengthen strategic partnerships

### What we've done recently

- Adopted an ongoing agile working programme to maintain and enhance service delivery whilst promoting employee welfare and maximising climate gain through reduced travel
- Lead the Lincolnshire multi-agency response in ensuring the safe resettlement of families evacuated from Afghanistan
- Supported partners across the Lincolnshire Resilience Forum in responding throughout the coronavirus pandemic
- Maintained active dynamic and engaging communications to guide communities to guide communities through the pandemic, advising on restrictions, safe compliance and vaccination access
- Developed digital hubs to help build customers' confidence in using computers to access services, work and finances.
- Expanded digital channels and opportunities for residents, businesses and wider stakeholders to hear from us

# Director of Resources Introduction

The Statement of Accounts has once again been prepared to a high standard and as the Council's Director of Resources and Chief Finance Officer, I am pleased to present them for 2022/23.

This Narrative Report and the notes that follow give you a clear picture of the figures that make up our Statement of Accounts and have been prepared in accordance with the requirements of the Accounts and Audit Regulations 2015 and the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 which is supported by the International Financial Reporting Standards (IFRS). The Statement of Accounts demonstrates how the money received by the Council to pay for services has been utilised, provides confidence that it has been accounted for in an appropriate manner and details how the Council has performed financially against its strategic objectives.

The Council continues to feel the impact of inflation and the cost of living challenges which in particular, have impacted the Council's extensive investment programmes. Furthermore, a number of legislative changes are expected especially in relation to the Environment Act and its investment in Climate action. The financial implications from these remain uncertain.

The financial landscape for the Council is likely to remain challenging for the foreseeable future. The further delay to the Comprehensive Spending Review means that there will be little certainty over the Council's longer term funding outlook and this will need to be carefully managed. In addition, the Fair Funding Review and move to 75% Business Rate Retention have once again been delayed with an earliest implementation date of 2024/25 but which is more likely to be 2025/26. The outcome of these reviews will determine the quantum of funding available to local government and the share available to the Council.

The Council continues to deliver services which are of a high standard and are well regarded. The Council has recently established its Financial Sustainability programme which builds on its Transformation Programme and income generation programme ExCiTe. This looks to protect services and increase the Council's financial standing through a number of initiatives that the Council is currently looking to take forward.

The Council's wholly owned market rental housing company Lafford Homes Limited, continues to develop and performs strongly. Lafford Homes Limited forms the Council's group position.

As a result, the Council continues to have both a robust and strong financial standing while demonstrating ongoing

improvements in its financial procedures and processes.

The work of the Council's Finance team is critical in achieving this and in ensuring that the stewardship of public funds is conducted efficiently and effectively. The work that the team does, working with colleagues to challenge spend and to help improve and deliver value for money is critical in ensuring that high quality services continue to be delivered to our residents and businesses and this is only possible due to the hard work and dedication of the Finance team.

This Narrative Report has been produced in line with recommended practice and guidance and provides information about North Kesteven, including the key issues affecting the Council while also providing a summary of the financial position as at 31 March 2023.

I hope that this document provides an informative and interesting insight into the Council and demonstrates the Council's desire to improve both the quality and suitability of information provided and I would therefore welcome your feedback.



Director of Resources  
Russell Stone

A stylized handwritten signature in black ink, consisting of a large 'R' followed by a series of loops and a long horizontal stroke.



# 1. Narrative Report

## Management Structure

Supporting the work of Councillors is the Council's Corporate Management Team (CMT) comprising of the Chief Executive, Ian Fytche; Deputy Chief Executive, Philip Roberts, the Director of Resources, Russell Stone and the Economy and Place Director, Andrew McDonough. Five Assistant Directors 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 385.49 full time equivalent positions. The Council continues to deliver its People Strategy and its ambition 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 6 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:

- Completion of phases 1 & 2 (22 properties) of the Orford Avenue, North Hykeham development;
- Steam Court (33 properties) has been delivered per the original development timeline;
- The purchase of 16 existing satisfactories;
- The completion of Station Road, Waddington with planning for the delivery of 44 properties;
- The completion of 7 new properties at Thorpe on the Hill, and;
- The completion of the purchase of 16 properties on the edge of Lincoln.
- Metherringham and Holdingham schemes due to complete May 2023 (27 Properties)

## Addressing the Financial Challenges

The Medium Term Financial Strategy (MTFS) was approved by Executive Board on 1 November 2022. This document sets out the financial framework used to ensure adequate financial resources are available to achieve the Council's objectives, ensure financial resilience is maintained and that appropriate action is taken to address future challenges.

The Financial Resilience Strategy provides the focus for the Council's work to be financially resilient and sets the governance framework for controlling and monitoring the progress of the various work programmes, initiatives and projects that are ongoing. CIPFA guidance and best practice in local government sees the establishment of a focus on financial resilience as an essential element of the governance arrangements for councils. The establishment of the Council's Financial Resilience Strategy will therefore demonstrate its achievements in this.

During the 2022/23 financial year the Council's financial position continued to feel the impact of inflation and the cost of living challenges which in particular, have impacted the Council's extensive investment programmes.

The financial landscape for the Council is likely to remain challenging for the foreseeable future. The further delay to the Comprehensive Spending Review means that there will be little certainty over the Council's longer term funding outlook and this will need to be carefully managed. In addition, the Fair Funding Review and move to 75% Business Rate Retention have once again been delayed.

As a result, The Council has recently established its Financial Sustainability programme which builds on its Transformation Programme and income generation programme ExCITe. This looks to protect services and increase the Council's financial standing through a number of initiatives that the Council is currently looking to take forward.

Furthermore, a number of legislative changes are expected especially in relation to the Environment Act and its investment in Climate action. The financial implications from these remain uncertain.

The Medium Term Financial Strategy provides the funding framework within which the Council will achieve its aspirations.

As a consequence of the constraints on resources, a balance has to be struck between the pace of improvement and the affordability of proposals that deliver the desired outcomes, and fulfil the Council's community leadership responsibilities. This strategy covers both the expected variations to revenue programmes and the approach adopted towards planning the capital programme for the next three years.

# 1. Narrative Report

## 3. Review of the year

The Comprehensive Income and Expenditure Statement on page 17 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 41. This analysis demonstrates how the funding available to the Council for the year 2022/23 (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).

## Financial Context of the Council

North Kesteven District Council manages cashflows and assets including:

- Collecting £27185 million of Business Rates keeping a proportion;
- Collecting £77.375 million Council Tax each year only keeping a small proportion.
- Managing a £228.139 million portfolio of land, buildings and other assets.
- Spending approximately £51.291 million each year on Council services.
- Accounting for £42.118 million per annum of fees, charges, rents, and service grant funding which are used to help deliver services and keep council tax down.
- Proactively investing cash and investment balances totalling over £49.531 million.



# 1. Narrative Report

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 ending with a surplus of £783,013 (£684,629 2021/22) after identified carry forwards.

General Fund	Actual	Approved Budget	Variance
	£'000	£'000	£'000
Our Council	4,673	5,592	(919)
Our Communities	4,282	4,522	(240)
Our Economy	594	621	(27)
Our Environment	276	18	258
Our Homes	1,203	1,050	153
<b>Net Cost of Service</b>	<b>11,028</b>	<b>11,803</b>	<b>(775)</b>
Drainage rates	644	644	-
Financing and Investment Inc & Exp	(425)	81	(506)
Revenue contribution to Capital	9,314	9,170	144
Transfer to / (from) reserves and balances	(7,147)	(4,882)	(2,265)
<b>Total Council Expenditure</b>	<b>13,414</b>	<b>16,816</b>	<b>(3,402)</b>
Payments to parish councils	3,740	3,740	-
Footway lighting	172	172	-
<b>Total Spending Requirement</b>	<b>17,326</b>	<b>20,728</b>	<b>(3,402)</b>
<b>Funding:</b>			
Council Tax	(10,914)	(10,914)	-
Non Domestic Rates	(9,167)	(8,211)	(956)
Government Grants	(1,792)	(1,734)	(58)
Surplus / deficit on Collection Fund	3,764	131	3,633
<b>Total District Council Financing</b>	<b>(18,109)</b>	<b>(20,728)</b>	<b>2,619</b>
<b>(Surplus) / Deficit for year</b>	<b>(783)</b>	<b>-</b>	<b>(783)</b>

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.

The table below provides a summary of the final outturn position for the Housing Revenue Account for the year ending with a surplus of £796,465 after identified carry forwards.

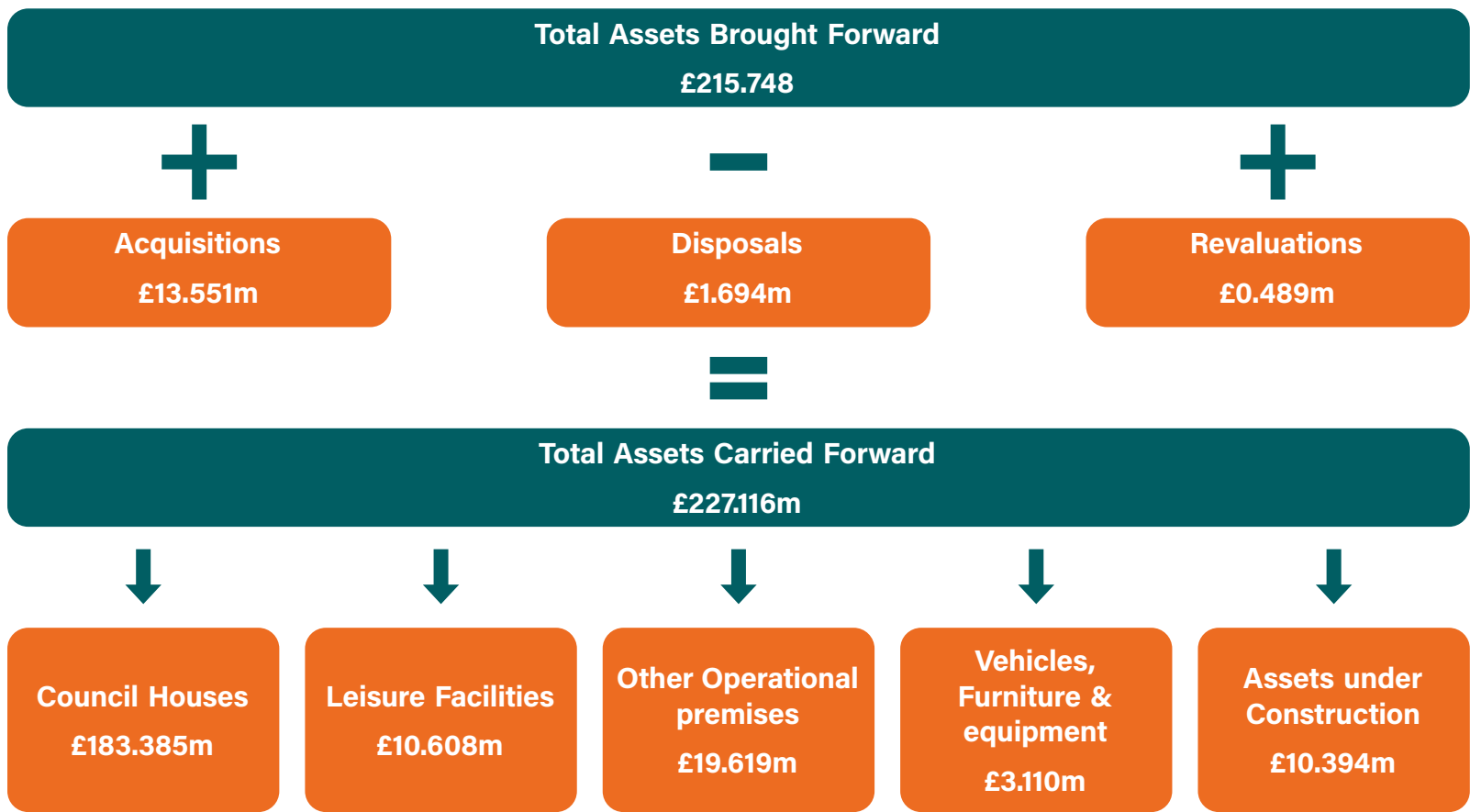
Housing Revenue Account	Actual	Approved Budget	Variance
	£'000	£'000	£'000
Repairs and maintenance	3,823	4,097	(274)
Supervision and management	3,724	4,127	(403)
Group Dwellings	216	173	43
Handyman Services	-	(6)	6
Housing and Property Services	-	251	(251)
General Community Facilities	64	71	(7)
Communal Areas	62	141	(79)
Maintenance of Open Spaces	186	219	(33)
Rents Rates Taxes Other Charges	241	346	(105)
Community Engagement	136	133	3
Money Advice	35	38	(3)
Debt Management Expenses	19	21	(2)
Rental Income	(16,254)	(16,363)	109
Other Income	(145)	(13)	(132)
<b>Net Cost of Service</b>	<b>(7,893)</b>	<b>(6,765)</b>	<b>(1,128)</b>
Financing and Investment Inc & Exp	2,135	2,434	(299)
Transfer to / (from) reserves and balances	4,962	4,331	631
<b>(Surplus) / Deficit in Year on Services</b>	<b>(796)</b>	<b>-</b>	<b>(796)</b>

# 1. Narrative Report

## 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 £25.044 million including loans to the Council's housing company and REFCUS spend. This leaves £13.552 million in acquisitions of fixed asset. The value of our Property, Plant and Equipment Assets is £227.042 million with movements summarised as follows:



The Council's Capital Programme has supported continued investment in the Housing stock (both new build and enhancement), seen continued investment into the Council's refuse fleet and loan financing to Lafford Homes Ltd, the Council's wholly owned housing company.



## 1. Narrative Report

### 4. Risks

The Council's Risk Management Strategy supports a culture of proactive risk identification and well measured risk taking throughout activities at a strategic, operational and project level. Below is a table detailing the key themes for the strategic risks:

Risk	Risk Rating
Failure to deliver the Local Plan	Low
ICT not effective or cyber secure	Medium
Ineffective delivery of key investment programmes	Medium
Increasing or unknown financial pressure	High
Failing to identify and respond to policy or legislative change	Low
Failure to maintain a workforce that is highly skilled and motivated	Low
Failure to meet climate change obligations	Medium
Increased costs to the Council and to residents cost of living - economic consequences of Brexit and Ukraine War	Medium

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. Performance



**100%** of new homes reaching an Energy Performance Certificate level A-B

Target 95%



**3,707** new homes built in the district over the last 5 years

3,056 for 2021/22



**860,433** Visitor numbers attending NKDC's indoor leisure facilities and sports outreach services

Target 650,000 visitors



**43,643sqm** of floor space developed for the delivery of jobs

Target 5,000 sqm



**78%** of residents feel the Council provides good quality services

Target 80%



Council Tax collection rate of **98%**

98% in 2022/23



Band D Council Tax of **£179.55**

£174.60 in 2021/22



Delivery of **195** affordable homes

Target of 100 affordable homes



A capital programme totalling **£255m** over 10 years

£264m for 2021/22



Planning applications in 2021/22 reaching **1,938**

2,274 received in 2021/22

# 1. Narrative Report

## 6. 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.
- 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.
- 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.
- 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 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 other parties. As the Council does not have any equity, the bottom half is comprised of reserves that show 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.

## 2. Core Statements

# Statement of Responsibilities

### 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

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts for the year 1 April 2022 to 31 March 2023 has been prepared and I confirm that these accounts were approved under the delegation of the Audit Committee (20 November 2023) on the 31 January 2024.



Cllr Mrs L Hagues  
Chairman of the Audit Committee  
31 January 2024

### Director of Resources 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 2023.



Russell Stone  
Director of Resources  
31 January 2024

## 2. Core 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.

Gross Expenditure £'000	Restated 2021/22 Gross Income £'000	Net Expenditure £'000	Description	Notes	2022/23		
					Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
11,734	(3,556)	8,178	Our Council		11,645	(2,864)	8,781
23,963	(18,267)	5,696	Our Communities		23,974	(17,923)	6,051
3,649	(2,504)	1,145	Our Economy		1,592	(1,202)	390
864	(341)	523	Our Environment		1,175	(641)	534
3,617	(2,715)	902	Our Homes		3,773	(2,690)	1,083
1,786	(16,035)	(14,249)	HRA		9,132	(16,798)	(7,666)
<b>45,613</b>	<b>(43,418)</b>	<b>2,195</b>	<b>Cost of Services</b>		<b>51,291</b>	<b>(42,118)</b>	<b>9,173</b>
604	(882)	(278)	(Gains) / losses on non current asset disposal		1,419	(1,810)	(391)
3,536	-	3,536	Parish council precepts		3,740	-	3,740
172	-	172	Street lighting special expense		172	-	172
583	-	583	Internal drainage board precepts	26	644	-	644
402	-	402	Contribution of housing capital receipts to government pool		2	-	2
<b>5,297</b>	<b>(882)</b>	<b>4,415</b>	<b>Other Operating Expenditure</b>		<b>5,977</b>	<b>(1,810)</b>	<b>4,167</b>
92	(1,107)	(1,015)	Movement in assets held at FVPL	13.2	713	(939)	(226)
2,446	-	2,446	Interest payable and similar charges		2,736	-	2,736
-	(944)	(944)	Interest and investment income	13.2	-	(1,654)	(1,654)
2,470	(1,481)	989	Net interest on the defined benefit liability	29.2	3,181	(2,155)	1,026
<b>5,008</b>	<b>(3,532)</b>	<b>1,476</b>	<b>Financing and Investment Income and Expenditure</b>		<b>6,630</b>	<b>(4,748)</b>	<b>1,882</b>
-	(10,471)	(10,471)	Income from Council Tax		-	(10,917)	(10,917)
11,664	(16,422)	(4,758)	Redistributed business rates		11,559	(16,516)	(4,957)
-	(3,259)	(3,259)	Section 31 grants	25	-	(3,472)	(3,472)
-	(2,709)	(2,709)	General government grants	25	-	(1,792)	(1,792)
-	(799)	(799)	Capital grants and other contributions	25	-	(218)	(218)
<b>11,664</b>	<b>(33,660)</b>	<b>(21,996)</b>	<b>Taxation and Non Specific Grant Income and Expenditure</b>		<b>11,559</b>	<b>(32,915)</b>	<b>(21,356)</b>
<b>67,582</b>	<b>(81,492)</b>	<b>(13,910)</b>	<b>(Surplus) / Deficit on the Provision of Services</b>		<b>75,457</b>	<b>(81,591)</b>	<b>(6,134)</b>
2,188	(993)	1,195	(Surplus) / Deficit on revaluation of non current assets		193	(1,750)	(1,557)
233	(13,559)	(13,326)	Actuarial (gains) / losses on pension assets / liabilities	29.2	18,190	(55,923)	(37,733)
<b>2,421</b>	<b>(14,552)</b>	<b>(12,131)</b>	<b>Other Comprehensive Income and Expenditure</b>		<b>18,383</b>	<b>(57,673)</b>	<b>(39,290)</b>
<b>70,003</b>	<b>(96,044)</b>	<b>(26,041)</b>	<b>Total Comprehensive Income and Expenditure</b>		<b>93,840</b>	<b>(139,264)</b>	<b>(45,424)</b>

## 2. Core 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.

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
Current Year	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2022</b>	<b>(27,476)</b>	<b>(1,051)</b>	<b>(1,190)</b>	<b>(3,031)</b>	<b>(1,148)</b>	<b>(33,896)</b>	<b>(102,575)</b>	<b>(136,471)</b>
<b>Movement in reserves during 2022/23</b>								
Total Comprehensive Income and Expenditure	(1,556)	(4,578)	-	-	-	(6,134)	(39,290)	(45,424)
Adjustments between accounting basis & funding basis under regulations (Note 9)	7,411	4,248	(262)	138	212	11,747	(11,747)	-
<b>Increase or Decrease in 2022/23</b>	<b>5,855</b>	<b>(330)</b>	<b>(262)</b>	<b>138</b>	<b>212</b>	<b>5,613</b>	<b>(51,037)</b>	<b>(45,424)</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>(21,621)</b>	<b>(1,381)</b>	<b>(1,452)</b>	<b>(2,893)</b>	<b>(936)</b>	<b>(28,283)</b>	<b>(153,612)</b>	<b>(181,895)</b>
<b>Comparative Year (Restated)</b>								
<b>Balance at 31 March 2021</b>	<b>(24,753)</b>	<b>(1,061)</b>	<b>(1,169)</b>	<b>(9,196)</b>	<b>(1,514)</b>	<b>(37,693)</b>	<b>(72,737)</b>	<b>(110,430)</b>
<b>Movement in reserves during 2021/22</b>								
Total Comprehensive Income and Expenditure	(2,538)	(11,372)	-	-	-	(13,910)	(12,131)	(26,041)
Adjustments between accounting basis & funding basis under regulations (Note 9)	(185)	11,382	(21)	6,165	366	17,707	(17,707)	-
<b>Increase or Decrease in 2021/22</b>	<b>(2,723)</b>	<b>10</b>	<b>(21)</b>	<b>6,165</b>	<b>366</b>	<b>3,797</b>	<b>(29,838)</b>	<b>(26,041)</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>(27,476)</b>	<b>(1,051)</b>	<b>(1,190)</b>	<b>(3,031)</b>	<b>(1,148)</b>	<b>(33,896)</b>	<b>(102,575)</b>	<b>(136,471)</b>



## 2. Core 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.'

Restated 2020/21 £'000	Restated 2021/22 £'000	Description	Notes	2022/23 £'000
<b>Non Current Assets</b>				
200,857	215,748	Property, Plant and Equipment	11	227,116
672	705	Heritage assets		732
	-	Intangible assets		291
201,529	216,453	Total Non Current Assets		228,139
18,997	16,264	Non property investments	13	19,475
10,631	13,623	Long term debtors	13	18,272
231,157	246,340	Total Long Term Assets		265,886
<b>Current Assets</b>				
<b>347</b>	<b>541</b>	<b>Assets held for sale</b>	<b>12</b>	<b>194</b>
19,790	32,380	Short term investments	13	22,138
81	87	Inventories		82
11,813	10,081	Short term debtors	14	7,615
1,074	7,088	Cash and cash equivalents	15	10,696
33,105	50,177	Total Current Assets		40,725
<b>264,262</b>	<b>296,517</b>	<b>Total Assets</b>		<b>306,611</b>
<b>Current Liabilities</b>				
	<b>(211)</b>	<b>Cash and cash equivalents</b>	<b>15</b>	<b>-</b>
(2,376)	(2,413)	Short term borrowing	13	(2,492)
(18,357)	(24,725)	Short term creditors	16	(16,903)
(4)	(10)	Short term developers' contributions (s106)	25	-
(890)	(1,077)	Provisions	17	(928)
(21,627)	(28,436)	Total Current Liabilities		(20,323)
<b>(76,106)</b>	<b>(84,021)</b>	<b>Long term borrowing</b>	<b>13</b>	<b>(85,935)</b>
(4,667)	(6,061)	Developers' contributions (s106)	25	(11,547)
(554)	(468)	Deferred liabilities		(387)
(50,877)	(41,059)	Net pension liability	29.3	(6,525)
(132,204)	(131,609)	Total Long Term Liabilities		(104,394)
<b>(153,831)</b>	<b>(160,045)</b>	<b>Total Liabilities</b>		<b>(124,717)</b>
<b>110,431</b>	<b>136,472</b>	<b>Net Assets</b>		<b>181,894</b>
<b>Financed by:</b>				
<b>37,694</b>	<b>33,896</b>	<b>Usable Reserves</b>	<b>MIRS</b>	<b>28,283</b>
72,737	102,576	Unusable Reserves	18	153,611
110,431	136,472	Total Reserves		181,894

## 2. Core Statements

# Cashflow 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

Restated 2021/22	Description	Notes	2022/23
£'000			£'000
<b>13,909</b>	<b>Net surplus or (deficit) on the provision of services</b>	<b>19</b>	<b>6,134</b>
10,552	Adjustment to net surplus or deficit on the provision of services for non cash movements	19	214
(2,694)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(3,434)
<b>21,768</b>	<b>Net Cash Flow from Operating Activities</b>	<b>19</b>	<b>2,914</b>
(22,636)	Net Cash Flow from Investing Activities	20	(7,323)
6,671	Net Cash Flow from Financing Activities	21	8,228
<b>5,802</b>	<b>Net increase or (decrease) in Cash and Cash Equivalents</b>		<b>3,819</b>
<b>1,075</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>6,877</b>
<b>6,877</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>21</b>	<b>10,696</b>

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# Accounting Policies

## 1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. 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 Local Government Act 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), supported by International Financial Reporting Standards (IFRS).

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 DCLG Regulations).
- For all unsupported borrowing from 1 April 2009, the MRP is based on the estimated life of the asset which the borrowing has been used to fund.
- VRP will be charged if considered prudent for individual asset financing.

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



### 1.6 Council Tax and Non-Domestic Rates

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

#### Accounting for Council Tax and NDR

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

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

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. 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
  - Unlisted 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



### 3. Notes

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 of Loss

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

### Fair value measurements of financial assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the Council's financial assets are based on the following techniques:

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

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

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

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





### 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 is held at Current Value (Existing Use Valuation - EUV).
- Cogglesford Mill is held at Current Value Depreciated Replacement Cost (DRC).

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.

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.

## 3. Notes

### 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 impairment for expected credit 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

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.



### 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 financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the 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.





## 3. Notes

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 not charged to service segments in accordance with the Council's arrangements for accountability and financial performance. They are instead adjusted through the Expenditure Funding Analysis.



### 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 (EUV)
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Surplus Assets – fair value
- 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's accounting policy for fair value measurement of financial assets is set out in note 1.9.

The Council also 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 2023/24 (the Code) has introduced changes to accounting standards, which will be required from 1 April 2023.

- Definition of Accounting Estimates (Amendments to IAS 8)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Updating a Reference to the Conceptual Framework (Amendments to IFRS3)
- In addition to the above, accounting for Leases (IFRS16) will be introduced from 1 April 2024

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 Judgements 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 judgments made in the Statement of Accounts are:

- The Council currently produces a set of Group Accounts alongside its single entity accounts. In order to establish the entities that are included in the Council's group, there are a number of judgements around whether the Council effectively controls an organisation. Where the Council is judged to hold effective control, those entities are included in the Council's group boundary. For 2022/23, the Council has consolidated our wholly owned subsidiary Lafford Homes Ltd into the Group Accounts.

This issue is kept under regular review as part of the annual Medium Term Financial Strategy which is being developed for 2023/24 onwards.



## Note 4 - Assumptions made about the future and other major sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31st March 2023 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 £227.116m)	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. 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.	If the useful life of assets is reduced, depreciation increases and the carrying amount of assets falls. It is estimated that for every year that useful lives are reduced, the annual depreciation charge for General Fund Assets would increase by £224,000 and for HRA Assets would increase by £51,000
Business Rates (Liability £0.928m)	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 2023	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 2023. The Council's share of the balance of business rate appeals provisions held at this date amounted to £0.928million this was an increase of £0.136million from the previous year.
Pensions Liability (£6.525m as at 31 March 2023)	Estimation of the net asset to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 0.1% decrease in the discount rate assumption would result in an increase of the net pension liability of £1.326million. Additional sensitivity analysis is presented at Note 29.4 to the accounts.
Arrears (Asset £6.758m)	When arriving at the closing balances for debtors these are shown at net of an estimated provision for bad debts. At 31st March 2023, the Council had a balance of debtors of £8.265m. A review of significant balances suggested that an impairment of doubtful debts of 18% (£1.507m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1.507m 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 31st May 2023. 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 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no events after the Balance Sheet date for the year to 31 March 23.

## Note 7 - Expenditure and Funding Analysis

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

Restated 2021/22				2022/23		
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
4,137	4,041	8,178	Our Council	4,674	4,107	8,781
3,870	1,826	5,696	Our Communities	4,281	1,770	6,051
754	391	1,145	Our Economy	594	(204)	390
747	(224)	523	Our Environment	277	257	534
989	(87)	902	Our Homes	1,202	(119)	1,083
(7,021)	(7,228)	(14,249)	HRA	(7,893)	227	(7,666)
<b>3,476</b>	<b>(1,281)</b>	<b>2,195</b>	<b>Net Cost of Service</b>	<b>3,135</b>	<b>6,038</b>	<b>9,173</b>
(6,708)	(9,397)	(16,105)	Other income and expenditure	2,389	(17,696)	(15,307)
<b>(3,232)</b>	<b>(10,678)</b>	<b>(13,910)</b>	<b>Surplus or Deficit</b>	<b>5,524</b>	<b>(11,658)</b>	<b>(6,134)</b>
<b>(25,814)</b>			<b>Opening General Fund and HRA balance at 31 March 2022</b>	<b>(28,527)</b>		
(3,232)			(Surplus) or deficit on General Fund and HRA balance in year	5,524		
<b>(28,527)</b>			<b>Closing General Fund and HRA Balance at 31 March 2023*</b>	<b>(23,003)</b>		

\* For a split of this balance between the general fund and the HRA – see the Movement in Reserves Statement.

## Note 7A - Note to the Expenditure and Funding Analysis

### Adjustments for Capital Purposes

1)	Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the service line, and for:	
	▪ <b>Other operating expenditure</b>	– adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
	▪ <b>Financing and investment income and expenditure</b>	– 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.
	▪ <b>Taxation and non-specific grant income and expenditure</b>	– 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	
	▪ <b>For Services</b>	– 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.
	▪ <b>For Financing and Investment Income and Expenditure</b>	– the net interest on the defined benefit liability is charged to the CIES

### Other statutory adjustments

3)	Other statutory adjustments 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 statutory adjustments 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.	

### Other non-statutory adjustments

4)	Other non-statutory adjustments represent amounts debited/credited to service segments that need to be adjusted against the 'other income and expenditure from the expenditure and funding analysis' line to comply with presentational requirements in the comprehensive income and expenditure statement:	
	▪ For Financing and Investment Income and Expenditure the other non-statutory adjustments column recognises adjustments to service segments, eg for interest income and expenditure and changes in the fair value of investment properties.	
	▪ For taxation and non-specific grant income and expenditure the other non-statutory adjustments column recognises adjustments to service segments, eg for unringfenced government grants.	

## Note 7A - Note to the Expenditure and Funding Analysis (continued)

Adjustment between Funding and Accounting Basis 2022/23						
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for capital purposes	Net change for the Pensions adjustments	Other Statutory Adjustments	Total Statutory Adjustments	Other (Non-statutory) Adjustments	Total Adjustments
	£000's	£000's	£000's	£000's	£000's	£000's
Our Council	225	131	5	361	3,746	4,107
Our Communities	1,727	939	31	2,697	(928)	1,769
Our Economy	(156)	158	(9)	(7)	(197)	(204)
Our Environment	532	19	3	554	(296)	258
Our Homes	3	536	1	540	(659)	(119)
HRA	1,481	391	21	1,893	(1,666)	227
<b>Net cost of services</b>	<b>3,812</b>	<b>2,174</b>	<b>52</b>	<b>6,038</b>	<b>-</b>	<b>6,038</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(16,986)</b>	<b>1,026</b>	<b>(1,736)</b>	<b>(17,696)</b>	<b>-</b>	<b>(17,696)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the provision of services</b>	<b>(13,174)</b>	<b>3,200</b>	<b>(1,684)</b>	<b>(11,658)</b>	<b>-</b>	<b>(11,658)</b>
Adjustment between Funding and Accounting Basis 2021/22 (Restated)						
Our Council	56	309	(13)	352	3,688	4,040
Our Communities	1,685	989	(33)	2,641	(814)	1,827
Our Economy	428	176	5	609	(218)	391
Our Environment	20	15	-	34	(258)	(224)
Our Homes	3	584	-	587	(673)	(86)
HRA	(5,921)	444	(27)	(5,504)	(1,725)	(7,229)
<b>Net cost of services</b>	<b>(3,729)</b>	<b>2,516</b>	<b>(68)</b>	<b>(1,281)</b>	<b>-</b>	<b>(1,281)</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(7,586)</b>	<b>989</b>	<b>(2,800)</b>	<b>(9,397)</b>	<b>-</b>	<b>(9,397)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the provision of services</b>	<b>(11,315)</b>	<b>3,505</b>	<b>(2,868)</b>	<b>(10,678)</b>	<b>-</b>	<b>(10,678)</b>

## Note 7B - Segmental Income

Income received on a segmental basis is analysed below:

Description	Income Area	2021/22 Income from Services £'000	2022/23 Income from Services £'000
Our Council	Payroll	(92)	(84)
Our Homes	Building Control	(310)	(306)
Our Homes	Planning Fees	(950)	(960)
Our Economy	Workshop Income	(611)	(575)
Our Economy	Car Park Income	(253)	(316)
Our Communities	Garden Waste Collection	(1,306)	(1,403)
Our Communities	Licensing	(106)	(127)
Our Homes	Land Charges	(109)	(82)
HRA	House and Garage Rents	(15,537)	(16,289)
<b>Total</b>		<b>(19,274)</b>	<b>(20,142)</b>



## Note 8 - Expenditure and Income Analysis by Nature

The Authority's expenditure and income is analysed as follows;

Expenditure / Income	Restated 2021/22	2022/23
Expenditure	£'000	£'000
Employee benefits expenditure	18,565	19,954
Other services expenditure	30,776	27,525
Depreciation, amortisation, impairment and revaluations	(4,690)	2,360
Revenue funding of capital expenditure	963	1,451
Interest payments	4,916	5,917
Precepts and levies	15,955	16,115
Payments to Housing capital receipts pool	402	2
Movement in assets held at FVPL	92	713
(Gain)/loss on the disposal of assets	604	1,419
<b>Total Expenditure</b>	<b>67,583</b>	<b>75,456</b>
<b>Income</b>		
Fees, charges and other service income	(6,304)	(6,773)
House and garage rents	(15,556)	(16,340)
Green Waste collection	(1,306)	(1,403)
Planning Fees	(950)	(900)
S106 drawdown	(1,340)	(532)
Interest and investment income	(2,425)	(3,809)
Income from Council Tax, non domestic rates, district rate income	(26,893)	(27,432)
Government grants and contributions	(24,730)	(21,652)
Movement in assets held at FVPL	(1,107)	(939)
(Gain)/loss on the disposal of assets	(882)	(1,810)
<b>Total Income</b>	<b>(81,493)</b>	<b>(81,590)</b>
<b>(Surplus) / Deficit on the Provision of Services</b>	<b>(13,910)</b>	<b>(6,134)</b>



# Note 9 - MIRS Adjustments between Accounting Basis and Funding Basis under regulations

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 18.

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).

## 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

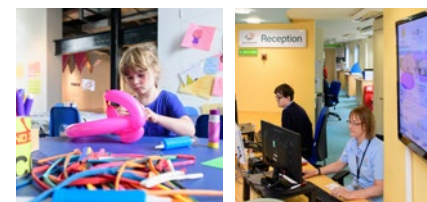
The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied 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 9 - MIRS Adjustments between Accounting Basis and Funding Basis under regulations (continued)

2022/23	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments to the Revenue Resources</b>					
<b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</b>					
• Pension costs (transferred to (or from) the Pensions Reserve)	(2,624)	(576)	-	-	-
• Financial instruments (transferred to the Financial Instruments Adjustments Account)	(781)	-	-	-	-
• Council tax and NDR (transfers to or from the Collection Fund Adjustment Account)	2,518	-	-	-	-
• Holiday pay (transferred to the Accumulated Absences Reserve)	(31)	(21)	-	-	-
• Equal pay settlements (transferred to the Unequal Back Pay Account)	-	-	-	-	-
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(269)	(2,359)	-	-	212
<b>Total Adjustments to Revenue Resources</b>	<b>(1,187)</b>	<b>(2,956)</b>	<b>-</b>	<b>-</b>	<b>212</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	262	1,539	(1,801)	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	-	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(2)	-	2	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	5,428	-	(5,428)	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	458	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	7,880	237	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>8,598</b>	<b>7,204</b>	<b>(1,799)</b>	<b>(5,428)</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>					
Amount of Subsidiary Loans Repaid	-	-	(5,420)	-	-
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	1,539	-	-
Use of Capital Receipts Reserve to finance historic capital expenditure	-	-	5,420	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	5,566	-
Application of capital grants to finance capital expenditure	-	-	-	-	-
Cash payments in relation to deferred capital receipts	-	-	(2)	-	-
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>1,537</b>	<b>5,566</b>	<b>-</b>
<b>Total Adjustments</b>	<b>7,411</b>	<b>4,248</b>	<b>(262)</b>	<b>138</b>	<b>212</b>

## Note 9 - MIRS Adjustments between Accounting Basis and Funding Basis under regulations (continued)

2021/22 Comparative Figures (Restated)	Usable Reserves				
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000
<b>Adjustments to the Revenue Resources</b>					
<b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</b>					
• Pension costs (transferred to (or from) the Pensions Reserve)	(2,887)	(618)	-	-	-
• Financial instruments (transferred to the Financial Instruments Adjustments Account)	656	-	-	-	-
• Council tax and NDR (transfers to or from the Collection Fund Adjustment Account)	2,545	-	-	-	-
• Holiday pay (transferred to the Accumulated Absences Reserve)	41	26	-	-	-
• Equal pay settlements (transferred to the Unequal Back Pay Account)	-	-	-	-	-
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(819)	6,115	-	-	(289)
<b>Total Adjustments to Revenue Resources</b>	<b>(464)</b>	<b>5,523</b>	<b>0</b>	<b>0</b>	<b>(289)</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	21	861	(882)	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	-	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(402)	-	402	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	4,846	-	(4,846)	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	411	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	249	152	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>279</b>	<b>5,859</b>	<b>(480)</b>	<b>(4,846)</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>					
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	461	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	11,011	-
Application of capital grants to finance capital expenditure	-	-	-	-	655
Cash payments in relation to deferred capital receipts	-	-	(2)	-	-
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>459.00</b>	<b>11,011.00</b>	<b>655.00</b>
<b>Total Adjustments</b>	<b>(185)</b>	<b>11,382</b>	<b>(21)</b>	<b>6,165</b>	<b>366</b>

## Note 10 - 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 2022/23

	Balance at 31.03.21	Transfers Out 2021/22	Transfers In 2021/22	Balance at 31.03.22	Transfers Out 2022/23	Transfers In 2022/23	Balance at 31.03.23
General Fund Earmarked Revenue	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Business Rates Appeal Reserve	1,398	-	779	2,177	-	247	2,424
Capital Reserve	758	-	157	915	(650)	150	415
Capital Refuse Replacement Reserve	405	-	705	1,110	(1,136)	551	525
Climate Response Reserve	-	-	-	-	(68)	1,000	932
Covid Response and Recovery Reserve	-	-	-	-	(282)	1,119	837
Earmarked Expenditure Reserve	229	(229)	179	179	(179)	173	173
Environmental Reserve	518	(21)	356	853	(96)	77	834
Financial Resilience Reserve	650	(159)	651	1,142	(18)	142	1,266
Housing Services Reserve	388	(1)	-	387	-	-	387
Income Volatility Reserve	7,822	(3,612)	1,682	5,892	(3,622)	2,230	4,500
Invest to Save Reserve	304	(31)	384	657	(176)	-	481
Local Election Reserve	157	-	59	216	(19)	76	273
Monitoring Officer Investigations Reserve	21	-	-	21	-	-	21
New Homes Bonus Reserve	5,208	(174)	1,577	6,611	(5,652)	1,000	1,959
Our Communities	317	(238)	103	182	(45)	67	204
Our Communities - Homelessness Reserve	219	(144)	288	363	(16)	-	347
Our Council	1,021	(520)	1,058	1,559	(832)	394	1,121
Our Council - ICT Reserve	318	(292)	197	223	(273)	153	103
Our Economy	1,433	(37)	50	1,446	(183)	50	1,313
Our Homes	1,291	(179)	58	1,170	(234)	188	1,124
Renewals Reserve	473	(21)	100	552	(92)	100	560
Uninsured Claims Reserve	211	-	-	211	-	-	211
<b>Total General Fund Earmarked Reserves</b>	<b>23,141</b>	<b>(5,658)</b>	<b>8,383</b>	<b>25,866</b>	<b>(13,573)</b>	<b>7,717</b>	<b>20,010</b>
<b>HRA Earmarked Reserves</b>							
HRA Affordable/Target Rents Reserve	-	(152)	152	-	(238)	238	-
HRA Earmarked Expenditure Reserve	311	(311)	301	301	(301)	631	631
<b>Total HRA Earmarked Reserves</b>	<b>311</b>	<b>(463)</b>	<b>453</b>	<b>301</b>	<b>(539)</b>	<b>869</b>	<b>631</b>
<b>Total Earmarked Reserves</b>	<b>23,452</b>	<b>(6,121)</b>	<b>8,836</b>	<b>26,167</b>	<b>(14,112)</b>	<b>8,586</b>	<b>20,641</b>

## Note 11 - Property, Plant and Equipment

2021/22	Council Dwellings	Other Land and Buildings	Vehicles Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Grand Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
<b>Gross book value as at 1 April 2021</b>	<b>163,678</b>	<b>25,301</b>	<b>5,631</b>	<b>759</b>	<b>439</b>	<b>545</b>	<b>8,553</b>	<b>204,906</b>
Additions	2,143	-	516	-	-	-	9,568	12,227
Derecognition - Disposals	-	-	(232)	-	-	-	-	(232)
Derecognition - Other	(1,583)	-	-	-	-	-	-	(1,583)
Reclassifications	2,477	3,924	-	-	-	-	(6,401)	-
Revaluation increases/(decreases) recognised in the surplus/deficit of services	7,703	(327)	-	-	-	5	-	7,381
Revaluation increases/(decreases) recognised in the revaluation reserve	-	(1,739)	-	-	20	65	-	(1,654)
Assets reclassified (to)/from Held for Sale	(805)	-	-	-	-	-	-	(805)
<b>GBV At 31 March 2022</b>	<b>173,613</b>	<b>27,159</b>	<b>5,915</b>	<b>759</b>	<b>459</b>	<b>615</b>	<b>11,720</b>	<b>220,240</b>
<b>Depreciation and Impairment</b>								
Accumulated Depreciation and Impairment	(539)	-	(3,278)	(232)	-	-	-	(4,049)
Charge for year	(2,128)	(593)	(460)	(21)	-	-	-	(3,202)
Depreciation written out to the Revaluation Reserve	(14)	479	-	-	-	-	-	465
Depreciation written out to the Surplus/Deficit on provision of services	2,134	114	-	-	-	-	-	2,248
Impairments (losses)/reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Assets reclassified (to) / from Held for Sale	7	-	-	-	-	-	-	7
Impairments (losses)/reversals recognised in the Surplus/Deficit on provision of services	(174)	-	-	-	-	-	-	(174)
Derecognition - Disposals	-	-	-	-	-	-	-	-
Derecognition - Other	-	-	212	-	-	-	-	212
<b>At 31 March 2022</b>	<b>(714)</b>	<b>-</b>	<b>(3,526)</b>	<b>(253)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,493)</b>
<b>Balance sheet at 31 March 2022</b>	<b>172,899</b>	<b>27,159</b>	<b>2,389</b>	<b>506</b>	<b>459</b>	<b>615</b>	<b>11,720</b>	<b>215,747</b>
Balance sheet at 31 March 2021	163,139	25,301	2,353	527	439	545	8,553	200,857



## Note 11 - Property, Plant and Equipment (continued)

2022/23	Council Dwellings	Other Land and Buildings	Vehicles Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Grand Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
<b>Gross book value as at 1 April 2022</b>	<b>173,613</b>	<b>27,159</b>	<b>5,915</b>	<b>759</b>	<b>459</b>	<b>615</b>	<b>11,720</b>	<b>220,240</b>
Additions	4,232	256	1,290	-	-	-	7,774	13,552
Derecognition - Disposals	-	-	(849)	-	-	(262)	(1)	(1,112)
Derecognition - Other	(341)	-	(135)	-	-	-	-	(476)
Reclassifications	8,458	151	21	-	-	178	(9,099)	(291)
Revaluation increases/(decreases) recognised in the surplus/deficit of services	(1,448)	378	-	-	-	(162)	-	(1,232)
Revaluation increases/(decreases) recognised in the revaluation reserve	-	1,062	-	-	20	(112)	-	970
Assets reclassified (to)/from Held for Sale	(756)	-	-	-	-	-	-	(756)
<b>GBV At 31 March 2023</b>	<b>183,758</b>	<b>29,006</b>	<b>6,242</b>	<b>759</b>	<b>479</b>	<b>257</b>	<b>10,394</b>	<b>230,895</b>
<b>Depreciation and Impairment</b>								
Accumulated Depreciation and Impairment	(714)		(3,526)	(253)				(4,493)
Charge for year	(2,258)	(621)	(541)	(21)				(3,441)
Depreciation written out to the Revaluation Reserve		554						554
Depreciation written out to the Surplus/Deficit on provision of services	2,252	67						2,319
Impairments (losses)/reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Assets reclassified (to) / from Held for Sale	7	-	-	-	-	-	-	7
Impairments (losses)/reversals recognised in the Surplus/Deficit on provision of services	-	-	-	-	-	-	-	-
Derecognition - disposals	-		799					799
Derecognition - Other	341	-	135	-	-	-	-	476
<b>At 31 March 2023</b>	<b>(372)</b>	<b>-</b>	<b>(3,133)</b>	<b>(274)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,779)</b>
<b>Balance sheet at 31 March 2023</b>	<b>183,386</b>	<b>29,006</b>	<b>3,109</b>	<b>485</b>	<b>479</b>	<b>257</b>	<b>10,394</b>	<b>227,116</b>
Balance sheet at 31 March 2022	172,899	27,159	2,389	506	459	615	11,720	215,747

# Note 11.1 - 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:

Council assets are:

- Council house – Traditional Build 60 years
- Council house – Non-Traditional Build 30 years
- Other land and buildings 7 – 70 years
- Infrastructure 5 – 32 years
- Vehicles, Plant, Equipment and Machinery 1 – 20 years
- Heritage assets 70 years
- Council garages – 25 years
- Leased assets are based on the lease term.

# 11.2 - Capital Commitments

At 31 March 2023, 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 £10,818,774. Similar commitments at 31 March 2022 were £4,410,706. The major commitments are:

- Housing Capital Programme – £9,079,422
- General Fund Capital Programme – £1,739,352



# Note 11.3 - Valuation Information

## Name and Qualifications of Valuers

A full valuation of both housing and general fund assets has been undertaken by Angela Calow MRICS of Kier Construction Design & Business Services as at 31 March 2023.

## 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. 2022/23 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 2022/23 this equates to 42% of market value which was applicable from 1 April 2016 onwards.
- Non Specialised 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.

## Component Accounting

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

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

An exercise, in respect of the Housing Revenue Account, has been undertaken to establish the variance in amounts of depreciation, based on components i.e. bathrooms, kitchens, windows, heating boilers etc. and that based on two components only i.e. land and buildings. The variance in the depreciation charge is less than 3% (less than £66,700). 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 holds a small number of heritage assets at a value of £732,000 as reported on the Balance Sheet.





### Note 12 - Assets Held for Sale

2021/22	Description	2022/23
£'000		£'000
<b>347</b>	<b>Balance Outstanding at Start of Year</b>	<b>540</b>
	<b>Assets newly Classified as Held for sale:</b>	
928	Property Plant & Equipment	789
	<b>Assets declassified as held for sale:</b>	
(131)	Property Plant & Equipment	(39)
(604)	Assets Sold	(1,097)
<b>540</b>	<b>Balance Outstanding at Year End</b>	<b>193</b>



## Note 13 - Financial Instruments

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

Financial Assets 2021/22 have been restated in line with a Prior Period Adjustment (See Note 33)

### Financial Assets

	Non- Current				Current				Total	
	Investments		Debtors		Investments		Debtors		Total	
	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000
Fair value through profit and loss	6,978	5,933	-	-	-	-	-	-	6,978	5,933
<b>Amortised cost</b>									-	-
Investments	9,288	13,542	-	-	32,380	22,138	-	-	41,668	35,680
Cash and cash equivalents	-	-	-	-	7,088	10,696	-	-	7,088	10,696
Trade debtors	-	-	-	-	-	-	4,230	5,188	4,230	5,188
Debtors - Loans & Mortgages			13,623	18,272	-	-	822	857	14,445	19,129
<b>Total financial assets</b>	<b>16,266</b>	<b>19,475</b>	<b>13,623</b>	<b>18,272</b>	<b>39,468</b>	<b>32,834</b>	<b>5,052</b>	<b>6,045</b>	<b>74,409</b>	<b>76,626</b>
<b>Non-financial assets</b>	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>16,266</b>	<b>19,475</b>	<b>13,623</b>	<b>18,272</b>	<b>39,468</b>	<b>32,834</b>	<b>5,052</b>	<b>6,045</b>	<b>74,409</b>	<b>76,626</b>

### Financial Liabilities

	Non- Current				Current				Total	
	Borrowings		Creditors		Borrowings		Creditors		Total	
	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000
Fair value through profit and loss	-	-	-	-	-	-	-	-	-	-
<b>Amortised cost</b>										
Borrowing	84,021	85,935	-	-	2,413	2,491	-	-	86,434	88,426
Leases	468	387	-	-	83	83	-	-	551	470
Cash and cash equivalents	-	-	-	-	210	-	-	-	210	-
Trade Creditors	-	-	-	-	-	-	7,089	8,644	7,089	8,644
<b>Total financial liabilities</b>	<b>84,489</b>	<b>86,322</b>	<b>-</b>	<b>-</b>	<b>2,706</b>	<b>2,574</b>	<b>7,089</b>	<b>8,644</b>	<b>94,284</b>	<b>97,540</b>
<b>Non-financial liabilities</b>	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>84,489</b>	<b>86,322</b>	<b>-</b>	<b>-</b>	<b>2,706</b>	<b>2,574</b>	<b>7,089</b>	<b>8,644</b>	<b>94,284</b>	<b>97,540</b>



## Note 13 - Financial Instruments (continued)

### 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.
- 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:

	Restated	2021/22	2022/23	
	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
<b>Net gain/losses on;</b>				
Investments measured at fair value through other comprehensive income	-	-	-	-
Investments measured at fair value through profit and loss	(1,015)	-	(226)	-
<b>Total net gain/(loss)</b>	<b>(1,015)</b>	<b>-</b>	<b>(226)</b>	<b>-</b>
<b>Interest Revenue:</b>				
Financial assets measured at Fair Value Through Profit & Loss	140	-	154	-
Financial assets measured at amortised cost	804	-	1,500	-
Other financial assets measured at fair value through other comprehensive income	-	-	-	-
<b>Total interest revenue</b>	<b>944</b>	<b>-</b>	<b>1,654</b>	<b>-</b>
<b>Interest expense</b>	<b>2,482</b>	<b>-</b>	<b>2,663</b>	<b>-</b>

## Note 13 - Financial Instruments (continued)

### 13.3 Financial Assets Held at Fair Value

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	Restated As At 31st March 2022	As At 31st March 2023
		£'000	£'000	£'000
<b>Fair value Through profit and Loss</b>				
Property Funds	2	Unadjusted quoted price in active market for identical shares	4,430	3,655
Shareholdings - in Lafford Homes	3	Net Asset Measurement	2,581	3,521
<b>Total</b>			<b>7,011</b>	<b>7,176</b>

### 13.4 Reconciliation of Fair Value Measurements for Financial Assets Carried at Fair Value categorised within level 3 of the Fair Value Hierarchy for financial assets

	31st March 2023		Total
	Unquoted Shares	Other	
	£000	£000	£000
Opening Balance	2,581	-	2,581
Total Gains or losses for the period:			
Included in the surplus or deficit on the provision of services	940	-	940
Additions	-	-	-
Disposals	-	-	-
Closing Balance	3,521	-	3,521

**Gains and Losses included in the surplus or deficit on the provision of services for the current year relate to the unquoted shares in Lafford Homes Ltd.**

### Statutory Override on pooled investments

The Council holds £4.0m in Property Funds which are pooled investments. 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 to reverse the fair value movements of these investments to an usable reserve. The statutory override to delay implementation of IFRS 9 is for five years commencing from April 2018. The Council uses this statutory override to account for any changes in the fair value on its pooled investments. Any balance in the reserve at the end of the statutory override period will be transferred to the General Fund.

### 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 a net asset approach as defined in IFRS13 Fair Value Measurement. For 2022/23 the fair value equates to £3.521m.

### 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 changes in the valuation techniques used during the year for the financial instruments.

## Note 13 - Financial Instruments (continued)

### 13.5 Fair Value of Asset 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.

	Restated 31/03/2022		31/03/2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
<b>Financial Assets</b>				
<b>At Amortised Cost:</b>				
Market Investments	41,633	41,160	35,680	33,719
Long Term Debtors - Mortgages	5	5	2	2
Long Term Debtors - Loans	13,618	13,811	18,270	19,514
Short Term Debtors - Loans	822	822	856	856
<b>Total Financial Assets</b>	<b>56,078</b>	<b>55,798</b>	<b>54,808</b>	<b>54,091</b>
<b>Financial liabilities</b>				
<b>At Amortised Cost:</b>				
PWLB Loans	86,434	89,945	88,460	68,852
Temporary Loans	-	-	-	-
Finance Lease Liabilities	553	553	471	471
<b>Total Borrowings</b>	<b>86,987</b>	<b>90,498</b>	<b>88,931</b>	<b>69,323</b>



# Note 13 - Financial Instruments (continued)

## Financial Assets

Where Financial Assets are due for repayment within the next twelve months the fair value is deemed to equate to the carrying amount of the financial asset. 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 £86,106,333 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 £86,106,333 would be valued at £92,191,126. 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 £108,142,316.

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).



## Note 13 - Financial Instruments (continued)

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 assets held at Fair Value through profit and loss are calculated on the following basis;

Shareholding fair values are unadjusted unquoted price in an inactive market and are therefore calculated using the net asset approach.

Pooled Investments are held at the Bid Price (selling price) – unadjusted market price in an active market for identical shares.

Financial liabilities and financial assets represented by loans and receivables 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 2022 of 0.01% to 2.05% 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 2022 of 1.26% 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:-

Restated 2021/22	Description	2022/23
£'000		£'000
13,623	Long Term Debtors - other	18,272
4,204	Central government bodies	1,719
1,681	Other local authorities	1,332
	NHS bodies	
<b>5,617</b>	<b>All other</b>	<b>6,071</b>
<b>11,502</b>	<b>Short Term Debtors Total</b>	<b>9,122</b>
(1,421)	Expected credit loss impairment	(1,507)
<b>23,704</b>	<b>Total</b>	<b>25,887</b>

### 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:

2021/22	Description	2022/23
£'000		£'000
18	Less than three months	15
56	three to six months	26
56	Six months to one year	60
725	More than one year	783
<b>855</b>	<b>Total</b>	<b>884</b>



### 3. Notes

## Note 15 - Cash and Cash Equivalents

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

3/31/2022	Description	3/31/2023
£'000		£'000
2,088	Bank current accounts	668
5,000	Money Market funds	10,028
(211)	Bank overdraft	-
<b>6,877</b>	<b>Total</b>	<b>10,696</b>

## Note 16 - Creditors

An analysis of creditors is shown below:

2021/22	Description	2022/23
£'000		£'000
16,310	Central government bodies	6,159
3,953	Other local authorities	4,502
2	NHS bodies	-
4,460	Other entities and individuals	6,242
<b>24,725</b>	<b>Total</b>	<b>16,903</b>





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 £0.9m. This represents the share of the appeals provision which relates to North Kesteven District Council only.

Description	NNDR appeals	Data breach claims	Total
	£'000	£'000	£'000
Balance at 1 April 2022	(792)	(285)	(1,077)
Additional provisions made	(263)	-	(263)
Amounts used	52	-	52
Amounts reversed unused	75	285	360
Balance at 31 March 2023	(928)	-	(928)





## Note 18 - Unusable Reserves

Restated 2021/22	UNUSABLE RESERVES	2022/23
£'000		£'000
12,380	Revaluation Reserve	13,693
132,849	Capital Adjustment Account	146,357
394	Financial Instruments Adjustment Account	(387)
8	Deferred Capital Receipts Reserve	3
(41,059)	Pensions Reserve	(6,525)
(1,762)	Collection Fund Adjustment Account	756
(235)	Accumulated Absences Account	(286)
<b>102,575</b>	<b>Balance at 31st March</b>	<b>153,611</b>

## 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.

2021/22	REVALUATION RESERVE	2022/23
£'000		£'000
<b>13,813</b>	<b>Balance at 1st April</b>	<b>12,380</b>
993	Upward revaluation of assets	1,750
(2,188)	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	(193)
(1,195)		1,557
-	Accumulated gains on assets sold or scrapped	(24)
-		(24)
(240)	Amount written off to the Capital Adjustment Account	(220)
<b>12,380</b>	<b>Balance at 31st March</b>	<b>13,693</b>

## Capital Adjustment Account - CAA

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and 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.

Restated	CAPITAL ADJUSTMENT ACCOUNT	
2021/22		2022/23
<b>114,664</b>	<b>Balance at 1st April</b>	<b>132,849</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement re:	
(4,987)	Charges for depreciation and impairment of non-current assets	(3,448)
9,677	Revaluation gain/(loss) on property, plant and equipment	1,087
(963)	Revenue expenditure funded from capital under statute	(1,451)
-	Credit Loss on Loans/Shares Funded by Capital	-
(2,075)	Amounts of subsidiary loans repaid	(5,420)
(604)	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	(1,409)
<b>1,048</b>		<b>(10,641)</b>
240	Adjusting amounts written out of the Revaluation Reserve	244
<b>1,288</b>		<b>(10,397)</b>
	Net written out amount of the cost of non-current assets consumed in the year	
	Capital Financing applied in the year re:	
462	Use of the Capital Receipts Reserve to finance new capital expenditure	1,539
2,075	Use of the Capital Receipts Reserve to finance historic capital expenditure	5,420
8,925	Use of the Major Repairs Reserve to finance new capital expenditure	3,481
2,086	HRA Voluntary Contribution	2,086
2,179	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,849
-	Application of grants to capital financing from the Capital Grants Unapplied Account including developers contributions	16
411	Statutory provisions for the financing of capital investment charged against the General Fund	458
400	Capital Expenditure charged against the General Fund and HRA balances	8,117
<b>16,538</b>		<b>22,966</b>
359	Movements in the Market Values of Investment and Shares debited or credited to the Comprehensive Income and Expenditure Statement	939
<b>132,849</b>	<b>Balance at 31st March</b>	<b>146,357</b>

## Pension 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.

2021/22	PENSION RESERVE	2022/23
£'000		£'000
<b>(50,877)</b>	<b>Balance at 1st April</b>	<b>(41,059)</b>
13,326	Remeasurement of the net defined benefit liability/(assets)	37,733
(6,383)	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	(6,415)
2,875	Employers pension contributions and direct payments to pensioners payable in the year	3,216
<b>(41,059)</b>	<b>Balance at 31st March</b>	<b>(6,525)</b>



# 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.

2021/22	COLLECTION FUND ADJUSTMENT ACCOUNT	2022/23
£'000		£'000
(4,308)	Balance at 1st April	(1,762)
1,921	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	3,027
625	Renewables	(509)
(1,762)	Balance at 31st March	756





## Note 19 - Cashflow Operating Activities

Restated 2021/22	Operating Activities	2022/23
£'000	Note A	£'000
<b>13,910</b>	<b>Net surplus or deficit on the provision of services</b>	<b>6,134</b>
	The Surplus or deficit on the provision of services has been adjusted for the following non-cash movements	
3,210	Depreciation	3,449
(7,902)	Impairment or downward valuations	(1,088)
38	Increase/(decrease) in interest creditors	79
13,472	Increase/(decrease) in creditors	(6,800)
(159)	(Increase)/decrease in interest debtors	237
(1,382)	(Increase)/decrease in debtors	99
(1,015)	Movement in Investments classified as Fair value through the P&L	(226)
(7)	(Increase)/decrease in inventories	4
3,506	Movement in pension liability	3,200
187	Contributions to/(from) provisions	(149)
604	Carrying amount of non current assets sold	1,409
<b>10,552</b>		<b>214</b>
	<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</b>	
(1,812)	Capital grants that are credited to surplus or deficit on the provision of services	(1,653)
	Proceeds from the sale of short and long term investments	19
(882)	Proceeds from the sale of property plant and equipment , investment property and intangible assets	(1,800)
<b>(2,694)</b>		<b>(3,434)</b>
<b>21,768</b>	<b>Net cash flows from operating activities</b>	<b>2,914</b>

Restated 2021/22	Operating Activities	2022/23
£'000		£'000
	The cashflows for operating activities include the following:	
944	Ordinary interest received	1,654
221	Opening debtor	447
(447)	Closing debtor	(209)
<b>718</b>	<b>Interest Received</b>	<b>1,892</b>
(2,482)	Interest charged for the year	(2,736)
(290)	Opening creditor	(328)
328	Closing creditor	406
<b>(2,444)</b>	<b>Interest Paid</b>	<b>(2,658)</b>

## Note 20 - Cashflow Investing Activities

Restated 2021/22	Investing Activities	2022/23
£'000	Note C	£'000
(12,227)	Property, plant and equipment purchased	(13,552)
-	Purchase of New Finance Leases	-
(817)	Opening capital creditors	(209)
209	Closing capital creditors	1,425
<b>(12,835)</b>	<b>Purchase of property plant and equipment, investment property, and intangible assets</b>	<b>(12,336)</b>
(28,000)	Purchase of short term investments	(49,300)
(260)	Purchase of long term investments	(3,000)
-	Purchase of Investments in Subsidiaries	-
<b>(28,260)</b>	<b>Purchase of short and long term investments</b>	<b>(52,300)</b>
<b>(5,891)</b>	<b>Long term loans granted - capital grants repaid</b>	<b>(10,237)</b>
<b>884</b>	<b>Proceeds from the sale of property plant and equipment, investment property, and intangible assets</b>	<b>1,802</b>
19,570	Proceeds from short term investments	59,301
8	Proceeds from long term investments	-
-	Proceeds from investments in subsidiaries	-
<b>19,578</b>	<b>Proceeds from short term and long term investments</b>	<b>59,301</b>
<b>2,076</b>	<b>Loan repayments</b>	<b>4,598</b>
<b>1,812</b>	<b>Capital grants received</b>	<b>1,849</b>
<b>(22,636)</b>	<b>Net cash from investing activities</b>	<b>(7,323)</b>

### Note 21 - Financing Activities and Cash Balances

2021/22	Financing Activities	2022/23
£'000	Note D	£'000
10,000	Cash receipts of short-term and long-term borrowing	4,000
(1,160)	Billing authorities - Council tax and NNDR adjustments	6,397
(2,086)	Repayment of short-term and long-term borrowing	(2,086)
(83)	Payments for the reduction of a finance lease liability	(83)
<b>6,671</b>	<b>Net cash flows from financing activities</b>	<b>8,228</b>



## Reconciliation of Liabilities Arising from Financing Activities

Reconciliation of liabilities arising from financing activities	2022/23	Financing Cash Flows	Non-Cash Changes		2022/23
			Acquisition	Other Non-cash changes	
Note F	£'000	£'000	£'000	£'000	£'000
Long Term Borrowings	84,021	1,914	-	-	85,935
Short Term Borrowings	2,413	-	-	79	2,492
Lease Liabilities	-	-	-	-	-
<b>Total Liabilities arising from financing activities</b>	<b>86,434</b>	<b>1,914</b>	<b>-</b>	<b>79</b>	<b>88,427</b>

	2021/22	Financing Cash Flows	Non-Cash Changes		2021/22
			Acquisition	Other Non-cash changes	
	£'000	£'000	£'000	£'000	£'000
Long Term Borrowings	76,106	7,915	-	-	84,021
Short Term Borrowings	2,376	-	-	37	2,413
Lease Liabilities	-	-	-	-	-
<b>Total Liabilities arising from financing activities</b>	<b>78,482</b>	<b>7,915</b>	<b>-</b>	<b>37</b>	<b>86,434</b>

## Note 22 - Members Allowances

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

2021/22	Description	2022/23
£'000		£'000
309	Allowances	326
4	National Insurance	5
5	Car and Travel Allowances	5
<b>318</b>	<b>Total</b>	<b>336</b>



## 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	2022/23		127,286	-1	-	22,205	<b>149,491</b>
	2021/22		125,361	454	-	21,867	<b>147,682</b>
Deputy Chief Executive	2022/23		104,857	34		18,258	<b>123,149</b>
	2021/22		102,932	454		17,919	<b>121,305</b>
Director of Resources	2022/23		108,177	34	-	18,258	<b>126,469</b>
	2021/22		100,976	454	-	17,602	<b>119,032</b>
Assistant Director of Democratic Services	2022/23	1	48,407	667	-	7,917	<b>56,991</b>
	2021/22		-	-	-	-	<b>-</b>
Assistant Director of Corporate and Customer Services	2022/23		78,282	-1	-	13,608	<b>91,889</b>
	2021/22		76,357	454	-	13,269	<b>90,080</b>
Assistant Director of Housing and Property Services	2022/23		78,808	-1	-	13,843	<b>92,650</b>
	2021/22		74,683	3,563	-	13,035	<b>91,281</b>
Economy and Place Director	2022/23		86,559	34	-	15,065	<b>101,658</b>
	2021/22		84,634	454	-	14,726	<b>99,814</b>
Assistant Director of Environment and Public Protection	2022/23		78,282	-1	-	13,608	<b>91,889</b>
	2021/22		76,357	454	-	13,269	<b>90,080</b>
Assistant Director of Finance	2022/23		78,282	151	-	13,608	<b>92,042</b>
	2021/22		76,357	454	-	13,269	<b>90,080</b>

Notes 1. Started in Senior Post 01-08-2022

Remuneration band	2021/22 Number of employees	2022/23 Number of employees
£50,000 to £54,999	3	8
£55,000 to £59,999	7	4
£60,000 to £64,999	4	6
£65,000 to £69,999	3	4
£70,000 to £74,999	-	-
£75,000 to £79,999	4	4
£80,000 to £84,999	-	1
£85,000 to £89,999	1	1
£90,000 to £94,999	-	-
£95,000 to £99,999	-	-
£100,000 to £104,999	2	1
£105,000 to £109,999	-	1
£110,000 to £114,999	-	-
£115,000 to £119,999	-	-
£120,000 to £124,999	-	-
£125,000 to £129,999	1	1
<b>Total</b>	<b>25</b>	<b>31</b>

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

# Exit Payments

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	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
£0 - £20,000	-	-	4	-	4	2	22,338	2,066
£20,001 - £40,000	-	-	-	-	-	-	-	-
£40,001 - £60,000	-	-	-	-	-	-	-	-
Total	-	-	4	-	4	2	22,338	2,066



# 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	2021/22	2022/23
	£'000	£'000
External Audit Services - scale fee	33	43
External Audit Services - Variations*	24	-
<b>Fees payable in respect of statutory inspections</b>		
Fees payable for the certification of grant claims and returns for the year	15	0
Total	72	43

\*2022/23 is based on PSAA scale fees and any further fee variations have not yet been finalised





## Note 25 - Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23

Description	2021/22	2022/23
Credited to Taxation and Non-specific Grant Income and Expenditure	£'000	£'000
COVID - New Burdens	143	31
COVID funding	1,669	0
Green Homes Grant	238	98
Homes England Grant	489	79
Lower Tier Grant	133	142
Local Authority Support Grant	478	0
Services Grant		215
New Homes Bonus	1,577	1,000
Rural Services Delivery Grant	377	377
S31 Grant	1,568	3,472
Other grants	95	68
<b>Total Taxation and Non-specific Grant Income and Expenditure</b>	<b>6,767</b>	<b>5,482</b>
Credited to Net Cost of Services		
Additional Restrictions Support Grant	1,546	0
Afghan Emergency Fund	0	281
Council Tax admin and Small Businesses grant	327	232
COVID Compliance, Enforcement and Outbreak Management	251	133
Cyber Support Grant Fund	150	10
Disabled Facility Grants	911	911
Discretionary Housing Grant	86	138
Flexible Homelessness Support Grant	230	267
HM Land Registry New Burdens	84	0
Household Support Fund	281	10
Heritage Lottery Fund - Mrs Smiths Cottage	61	81
Housing Benefits Rent Administration	192	191
Housing Benefits New Burdens Grant	40	97
LCC Household Support Fund (1&2)	0	313
Leisure Grants	322	265
OFGEM Renewable Heating	0	82
Rent Allowance Subsidy	6,699	6,300
Rent Rebates Subsidy	5,814	5,726
Reopening High Street	144	0
Sustainable Warmth Grant	0	470
Test and Trace Support Payments	185	3
UK Prosperity Fund	0	50
UK Resettlement Programmes	197	179
Winter Support Grant	84	0
Other grants	359	431
<b>Total Net Cost of Service</b>	<b>17,963</b>	<b>16,170</b>
<b>Total</b>	<b>24,730</b>	<b>21,652</b>

## S106

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	2021/22		2022/23	
	Current Liabilities	Long Term Liabilities	Current Liabilities	Long Term Liabilities
	£'000	£'000	£'000	£'000
<b>Held in Balance Sheet as</b>				
<b>Conditions not yet met</b>				
Play Equipment / Open Spaces	4	1,276	-	1,516
Affordable Housing	-	212	-	212
Education	-	3,260	-	4,704
Other	6	1,313	-	5,115
<b>Total Grants with Conditions not yet met</b>	<b>10</b>	<b>6,061</b>	<b>-</b>	<b>11,547</b>





## Note 26 – Related Party Transactions

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

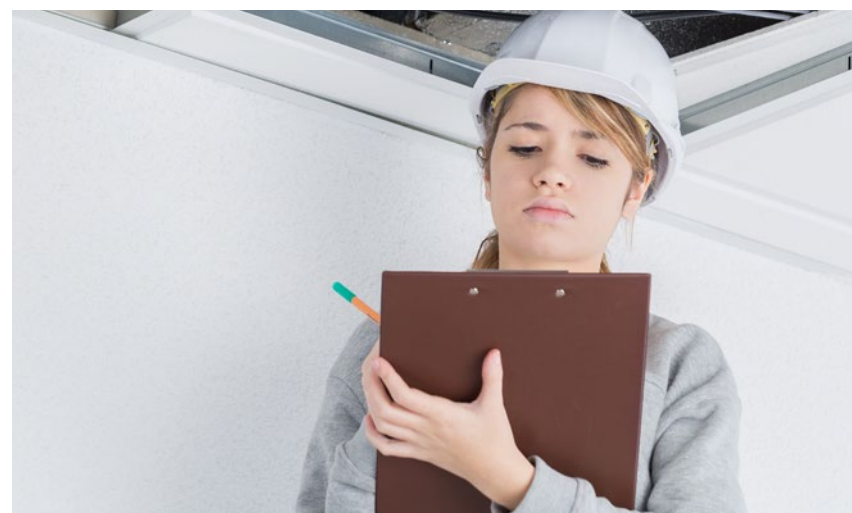
Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2022/23 is shown in Note 22. During 2022/23 the Council issued to all Members, Corporate Management Team and Senior Management Team a request to disclose any related 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, 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 opposite:

2021/22 Restated	Description	2022/23
£'000		£'000
221	Upper Witham Drainage Board	251
259	Witham First Drainage Board	279
71	Black Sluice Drainage Board	75
32	Trent Valley Drainage Board	39
<b>583</b>	<b>Drainage Board Levies Paid</b>	<b>644</b>
3,536	Parish/Town Councils	3,740
61	Citizens Advice Bureau	61
257	Shared Legal Services	263
<b>4,437</b>	<b>Included within the Council's expenditure</b>	<b>4,708</b>
99	Central Lincolnshire Joint Strategic Planning Unit	99
<b>99</b>	<b>Bodies where the Council acts as the responsible body</b>	<b>99</b>
<b>4,536</b>	<b>Total</b>	<b>4,807</b>



## Note 27 – Capital Financing Requirement

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.

2021/22	Description	2022/23
£'000		£'000
<b>86,244</b>	<b>Opening capital financing requirement</b>	<b>88,787</b>
	<b>Capital expenditure:</b>	
12,227	Property, Plant and Equipment	13,552
5,891	Investment In Subsidiary	10,041
963	Revenue Expenditure Funded from Capital under Statute	1,451
<b>19,081</b>	<b>Asset Movement in Year</b>	<b>25,044</b>
	<b>Capital financing:</b>	
(462)	Capital Receipts	(1,539)
(2,075)	Capital Receipts from Subsidiary	-
(2,179)	Government Grants and other contributions	(1,865)
(400)	Sums set aside from revenue	(8,117)
(8,925)	Contribution from MRR	(3,481)
(411)	Minimum Revenue Provision (MRP)	(458)
(2,086)	Voluntary Revenue Provision in respect of HRA debt	(2,086)
-	Repayment of subsidiary investment	(5,420)
<b>(16,538)</b>	<b>Financing in Year</b>	<b>(22,966)</b>
<b>88,787</b>	<b>Closing capital financing requirement</b>	<b>90,865</b>
<b>2,543</b>	<b>Movements in year</b>	<b>2,078</b>
2,543	Increase / (decrease) in underlying need for unsupported borrowing	2,078
2,543	Increase/(decrease) in capital financing requirement	2,078



## Note 28 - Council as lessee

### 28.1 Finance Leases

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

Description	2021/22 £'000	2022/23 £'000
Other Land and Buildings	125	177
<b>Value at 31 March</b>	<b>125</b>	<b>177</b>

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

Description	Other Land and Buildings		Vehicles, Plant & Equip		Total	Total
	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000
<b>Finance lease liabilities (net present value of minimum lease payments):</b>						
Current (net present value of MLP)	83	84	-	-	83	84
Non-Current (NPV of MLP)	469	386	-	-	469	386
Finance Costs payable in future years	80	66	-	-	80	66
<b>Minimum Lease Payments (MLP)</b>	<b>632</b>	<b>536</b>	<b>-</b>	<b>-</b>	<b>632</b>	<b>536</b>

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

Description	Minimum Lease Payments		Finance Lease Liabilities	
	31/03/22 £'000	31/03/23 £'000	31/03/22 £'000	31/03/23 £'000
Not later than one year	97	97	83	83
Later than one year but not later than five years	387	381	334	329
Later than five years	148	58	136	57
<b>Total</b>	<b>632</b>	<b>536</b>	<b>553</b>	<b>469</b>

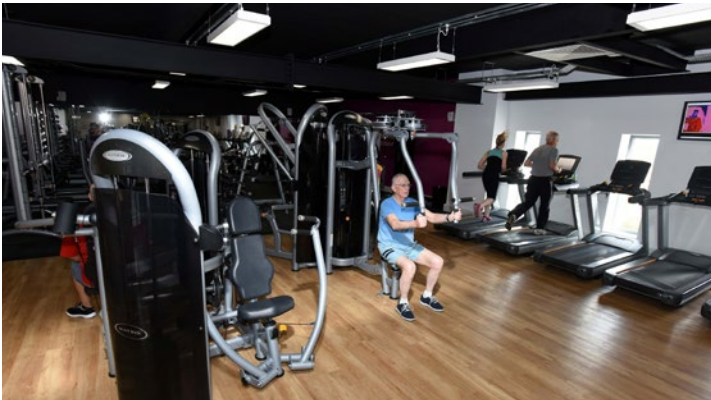


Note 28 - Council as lessee (continued)

28.2 Operating Leases

The Council has acquired a number of buildings under operating leases and is committed at 31 March 2023 to making payments of £242,000 (£389,000 in 2020/21) comprising the following elements:

Description	31/03/2022 £'000	3/31/2023 £'000
Not later than one year	147	64
Later than one year but not later than five years	242	178
Later than five years	-	-
<b>Total Commitments at 31st March</b>	<b>389</b>	<b>242</b>





# Note 29 – 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 overall Lincolnshire Pension Fund and the Council's share of these assets and liabilities. The current Actuary is Barnett Waddingham. The following notes are based on the assumptions and reports received from the Actuary as at 31 March 2023. A full revaluation exercise is undertaken every 3 years, and this exercise was undertaken as at 31 March 2022, the next triennial review being due 31 March 2025.

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.

## 29.1 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.

## 29.2 Transactions Relating to Post-Employment Benefits

The Council 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	
	2021/22	2022/23
<b>Cost of services:</b>		
<b>Service cost comprising:</b>		
▪ current service costs	5,339	5,325
▪ administrative costs	55	64
<b>Financing and investment income and expenditure</b>		
Net interest expense	989	1,026
<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>6,383</b>	<b>6,415</b>
<b>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>		
<b>Remeasurement (gains)/losses of the net defined benefit liability comprising:</b>		
▪ Return on plan assets (excluding the amount included in the net interest expense)	(6,459)	1,987
▪ Other Actuarial (gains)/losses on assets	-	2,651
▪ Actuarial (gains)/losses arising on changes in demographic assumptions	-	(4,670)
▪ Actuarial (gains) and losses arising on changes in financial assumptions	(7,100)	(51,253)
▪ <b>Experience (gain)/loss on defined benefit obligation</b>	<b>233</b>	<b>6,208</b>
Total remeasurement recognised in other comprehensive income and expenditure	<b>(13,326)</b>	<b>(45,077)</b>
<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>(6,943)</b>	<b>(38,662)</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	3,505	3,200
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	2,875	3,215

### 3. Notes

#### Pension Assets and Liabilities

##### 29.3 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 plan is as follows:

	Local Government Pension Scheme £'000	
	2021/22	2022/23
Present value of the defined benefit obligation	(123,189)	(80,290)
Fair value of plan assets	82,130	81,109
Impact of Asset Ceiling	-	(7,344)
<b>Net asset/(liability) arising from defined benefit obligation</b>	<b>(41,059)</b>	<b>(6,525)</b>

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

	Local Government Pension Scheme £'000	
	2021/22	2022/23
<b>Opening fair value of scheme assets</b>	<b>73,831</b>	<b>82,130</b>
Interest income	1,481	2,155
<b>Remeasurement gain/(loss):</b>		
The return on plan assets, excluding the amount included in the net interest expense	6,404	(1,987)
Other actuarial gains/(losses)	-	(2,651)
Contributions from employer	2,825	3,161
Contributions from employees into the scheme	734	813
Benefits paid	(3,145)	(2,449)
Contribution re unfunded benefits	50	54
Unfunded benefits paid	(50)	(54)
Administrative Expenses		(64)
<b>Closing fair value of scheme assets</b>	<b>82,130</b>	<b>81,108</b>

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

	Funded Liabilities: Local Government Pension Scheme £'000	
	2021/22	2022/23
<b>Opening balance at 1 April</b>	<b>124,708</b>	<b>123,189</b>
Current service cost	5,339	5,325
Interest cost	2,470	3,181
Contributions from scheme participants	734	813
<b>Remeasurement (gains) and losses:</b>		
Actuarial gains/losses arising from changes in demographic assumptions	-	(4,670)
Actuarial gains/losses arising from changes in financial assumptions	(7,100)	(51,253)
Experience (gain)/loss on defined benefit obligation	233	6,208
Past service cost		
Benefits paid	(3,145)	(2,449)
Unfunded benefits paid	(50)	(54)
<b>Closing balance at 31 March</b>	<b>123,189</b>	<b>80,290</b>

#### Reconciliation of Asset Ceiling

	Reconciliation of Asset Ceiling £'000	
	2021/22	2022/23
Opening impact of asset ceiling	-	-
Interest on asset ceiling	-	-
Actuarial losses/(gains)	-	7,344
<b>Closing balance at 31 March</b>	<b>-</b>	<b>7,344</b>

### 3. Notes

#### Local Government Pension Scheme assets comprised

	Fair Value of Scheme Assets			
	2021/22		2022/23	
	Quoted in active market	Not quoted in active market	Quoted in active market	Not quoted in active market
	£'000	%	£'000	%
Equities	59,410	72.0%	45,510	56.0%
Bonds	10,422	13.0%	10,615	13.0%
Property	9,063	11.0%	6,106	8.0%
Cash/Temporary Investments	3,235	4.0%	2,230	3.0%
Infrastructure	-	-	3,048	4.0%
Absolute return fund	-	-	13,599	16.0%
<b>Total</b>	<b>82,130</b>	<b>100.0%</b>	<b>81,108</b>	<b>100.0%</b>

Note: Infrastructure and Absolute return fund were previously not identified separately in the 31 March 2022 report and was included within the other asset classes



Basis for estimation

29.4 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 Barnett Waddingham, 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 2022.

The significant assumptions used by the actuary have been:

Description	2021/22	2022/23
Mortality assumptions		
• Longevity at 65 for pensioners retiring today:		
• Men	21.2	19.8
• Women	23.7	22.9
• Longevity at 65 for future pensioners:		
• Men	22.1	21.1
• Women	25.1	24.4
Rate of increase in salaries	3.50%	3.85%
Rate of increase in pensions	3.20%	2.85%
Rate for discounting scheme liabilities	2.60%	4.80%



### 3. Notes

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	£000s	£000s	£000s
<b>Adjustment to discount rate</b>	<b>0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	78,998	80,290	81,616
Projected service cost	2,247	2,327	2,409
<b>Adjustment to long term salary increase</b>	<b>0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	80,422	80,290	80,159
Projected service cost	2,328	2,327	2,325
<b>Adjustment to pensions increase and deferred revaluation</b>	<b>0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	81,508	80,290	79,104
Projected service cost	2,410	2,327	2,246
<b>Adjustment to life expectancy assumptions</b>	<b>+ 1 Year</b>	<b>None</b>	<b>- 1 Year</b>
Present value of total obligation	83,647	80,290	77,089
Projected service cost	2,413	2,327	2,243

Impact on the Authority's Cash Flows			
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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 2025.

The Council anticipates paying £3.462m contributions to the scheme in 2023/24.

## Note 30 – Contingent Liabilities

There are no contingent liabilities to declare. (£nil as at 31st March 2022).

## Note 31 – 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.

# Note 32 - Nature and Extent of Risks Arising from Financial Instruments

## 32.1 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.

### 32.1.1 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.





### 32.1.2 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 2020/21 was approved by Full Council on 2nd March 2021 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 2020. 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 2023.

	Credit Risk Rating	Gross Carrying Amount £'000	Potential Credit Risk £'000
<b>12 Month Expected Credit Losses</b>			
AAA rated counterparties	0.04%	14,000	5.60
AA rated counterparties	0.02%	-	0.00
A rated counterparties	0.05%	10,430	5.22
BBB rated counterparties	0.14%	3,000	4.20
BB rated counterparties	0.64%	1,000	6.40
Local Authorities	0.00%	17,270	0.00
Other Institutions	2.73%	3,000	81.90
<b>Total</b>		<b>48,700</b>	<b>103.32</b>

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 date amount can be analysed as follows;

	31/03/2022 £'000	31/03/2023 £'000
Less than one months	158	7
One to six months	183	543
Six months to one year	27	134
More than one year	159	182
<b>Total</b>	<b>527</b>	<b>866</b>

Collateral - During the reporting period the Council held no collateral as security



32.1.3 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	31/03/2022	31/03/2023
	£'000	£'000
Less than one year	26,810	11,219
Between one and two years	2,169	2,169
Between two and five years	6,591	6,503
More than five years	75,813	77,649
<b>Total</b>	<b>111,383</b>	<b>97,540</b>

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



## 3. Notes

### 32.1.4 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 favourable, 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 2022, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

Description	31/03/2023
	£'000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	-210
Increase in government grant receivable for financing costs	-
Impact on Income and Expenditure Account	-210
Share of overall impact debited to the HRA	15
Decrease in fair value of fixed rate investment assets	0
Impact on the Comprehensive Income and Expenditure Statement	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on C I & E Statement)	7,842

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.

## 33. Prior Period Adjustment

The Council has reviewed its recognition of capital loans made to Lafford Homes Limited, our wholly owned subsidiary, which were classified as Non Property Investments on the Balance Sheet and held at Fair Value through Profit and Loss.

This review has identified that the original classification was incorrect and these loans, as capital loans, should be treated as Long Term Debtors to be held at amortised cost.

As this is a material error the impact of this change requires a retrospective restatement of the opening balances and comparative amounts for the prior period (2021/22). Specifically, this requires a removal of any gains and losses for Fair Value through Profit and Loss and the transfer of the principal loan and any accrued interest to Long Term Debtors (short term where due within 1 year).

The adjustments shown in the table below have been incorporated throughout the Statement of Accounts. The Group Accounts have not been affected as these inter company transactions have been removed on consolidation.

Prior Period Adjustment	2021/22	2021/22	2021/22
Description of Account	Published	Restated	Net Change
<b>Comprehensive income and Expenditure Account</b>			
Movement In Assets held at Fair Value	-494	-822	-328
<b>Movement In Reserves Statement</b>			
Movement In Reserves Statement	136,663	136,471	-192
<b>Balance Sheet</b>			
Non Property Investments	30,070	16,264	-13,806
Long Term Debtors	5	13,623	13,618
Short Term Investments	33,206	32,380	-826
Short Term Debtors	9,259	10,081	822
<b>Total Adjustments to Net Assets</b>	<b>72,540</b>	<b>72,348</b>	<b>-192</b>
<b>Unusable Reserves</b>			
Unusable Reserves	102,768	102,576	-192
<b>Cashflow</b>			
Net surplus or (deficit) on the provision of services	13,389	13,717	328
Adjustment to surplus or deficit on the provision of services for non cash movements	11,073	10,745	-328
Net adjustment to Operating Activities	24,462	24,462	0

## 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.

2021/22 £'000	Description	2022/23 £'000
	<b>Expenditure</b>	
(5,228)	Repairs and maintenance	(5,319)
(2,426)	Supervision and management	(2,273)
(51)	Rents, rates, taxes and other charges	(70)
(2,160)	Depreciation of non current assets	(2,284)
8,080	Revaluation of non-current assets	803
(30)	Debt management costs	(19)
<b>(1,815)</b>	<b>Total expenditure</b>	<b>(9,162)</b>
	<b>Income</b>	
15,412	Dwelling rents	16,192
125	Non-dwelling rents	99
461	Charges for services and facilities	489
37	Contributions towards expenditure	29
<b>16,035</b>	<b>Total income</b>	<b>16,809</b>
<b>14,220</b>	<b>Net cost of HRA services included in the Comprehensive Income and Expenditure Statement</b>	<b>7,647</b>
(441)	HRA services share of corporate and democratic core	(420)
(1,254)	HRA share of other amounts included in the whole authority net expenditure of continuing operations but not allocated to a specific service	(1,227)
<b>12,525</b>	<b>Net cost of HRA services</b>	<b>6,000</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>	
257	Gain or (loss) on sale of HRA non-current assets	442
(2,060)	Interest payable and similar charges	(1,968)
26	Interest and investment income	71
(175)	Pensions interest cost and expected return on pension assets	(185)
799	Capital Grants and Contributions receivable	218
<b>11,372</b>	<b>Surplus / (deficit) for the year on HRA services</b>	<b>4,578</b>



## Movement on the HRA Statement

2021/22	Description	2022/23
£'000		£'000
<b>1,061</b>	<b>Balance on the HRA at the end of the previous year</b>	<b>1,051</b>
11,372	Surplus or (deficit) for the year on the HRA Income & Expenditure Statement	4,578
(6,358)	Adjustments between accounting base and funding base under regulations	1,396
<b>5,014</b>	<b>Net increase or (decrease) before transfer to reserves</b>	<b>5,974</b>
(5,024)	Transfer (to) / from reserves	(5,644)
<b>(10)</b>	<b>Increase or (decrease) in year on the HRA</b>	<b>330</b>
<b>1,051</b>	<b>Balance on the HRA at the end of the current year</b>	<b>1,381</b>
	Adjustments between accounting basis and funding basis under regulations	
	<b>Transfers to/from the Capital Adjustment Account:-</b>	
(8,080)	- revaluation of non current assets	(803)
2,160	- reversal of actual HRA depreciation	2,284
(799)	- capital grants	(219)
(257)	Gain or loss on sale of HRA fixed assets	(442)
618	HRA share of contributions to/from the Pension Reserve	576
<b>(6,358)</b>		<b>1,396</b>
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA balance for the year	
(4,846)	Transfer (to) / from Major Repairs Reserve	(5,428)
(152)	Transfer (to) / from Affordable / Target Rents Difference Reserve	(237)
-	- Transfer (to) / from HRA Earmarked Expenditure Reserve	-
(26)	Transfer (to) / from Accumulated Absence Reserve	21
<b>(5,024)</b>		<b>(5,644)</b>

## Note H1 – Housing Stock Numbers and Values

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

2021/22	Type	2022/23
number		number
3,367	Houses and Bungalows	3,404
484	Flats	478
<b>3,851</b>	<b>Total</b>	<b>3,882</b>

### H1.2 – Asset Values

2021/22	Type	2022/23
£000		£000
<b>Operational assets</b>		
172,898	▪ dwellings	183,385
1,824	▪ other land and buildings	1,751
541	▪ assets held for sale	194
14	▪ vehicle, plant and equipment	10
8,415	▪ assets under construction	1,158
	▪ community assets	17
<b>183,692</b>	<b>Total</b>	<b>186,515</b>

## 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:

2021/22	Description	2022/23
£'000		£'000
416,467	Vacant possession value	439,747
<b>416,467</b>	<b>Total</b>	<b>439,747</b>

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

2021/22	Description	2022/23
£'000		£'000
9,196	Balance as at 1 April	3,031
4,846	Amount transferred to the Major Repairs Reserve during the financial year	5,428
(8,925)	The debits to the Major Repairs Reserve in respect of capital expenditure on land, houses and other property within the HRA	(3,480)
(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)
<b>3,031</b>	<b>Balance as at 31 March</b>	<b>2,893</b>

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

### Summary of Total Capital Expenditure

2021/22	Description	2022/23
£'000		£'000
10,754	Expenditure of HRA land, houses and other property	5,672
<b>10,754</b>	<b>Total</b>	<b>5,672</b>
<b>Financed By:</b>		
(350)	▪ general capital receipts reserve	(689)
(1,144)	▪ government grants	(415)
(111)	▪ 1-4-1 capital receipts reserve	(850)
(8,925)	▪ major repairs reserve	(3,481)
(72)	▪ section 106 reserve	-
(152)	▪ affordable / target rents reserve	(237)
<b>(10,754)</b>	<b>Total</b>	<b>(5,672)</b>

### Summary of Total Capital Receipts

2021/22	Description	2022/23
£'000		£'000
870	Council house sales	1,549
2	Deferred purchase of council houses	2
<b>872</b>	<b>Total</b>	<b>1,551</b>

### 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 £2,984,825 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

2021/22	Description	2022/23
£'000		£'000
<b>Operational assets:</b>		
2,128	Dwellings	2,258
28	Other land and buildings	23
3.00	Vehicles	3
<b>2,159</b>	<b>Total</b>	<b>2,284</b>

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

Note 29 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:

2021/22	Description	2022/23
£'000		£'000
<b>HRA Income and Expenditure Account</b>		
<b>Net cost of services</b>		
942	▪ Current service cost	962
<b>Net operating cost</b>		
436	▪ Interest cost	575
(261)	▪ Expected return on assets in the scheme	(389)
<b>1,117</b>	<b>Net charge to the HRA Income and Expenditure Account</b>	<b>1,148</b>
<b>Statement of movement on the HRA balance</b>		
(1,117)	Net charges made for retirement benefits in accordance with IAS19	(1,148)
-	Actual amount charged against general fund balance for pensions in the year	-
499	Employer's contributions payable to scheme	571

## Note H7 – Rent Arrears

2021/22	Description	2022/23
£'000		£'000
635	Arrears at 31 March	717

The rent arrears represent 6.25% of the rent collectable for the year (i.e. net of rebates, write offs and voids). The comparative figure for 2020/21 was 6.14%.

A bad debt provision of £229k has been made in the accounts for potentially uncollectable rent arrears. (£140k for 2021/22).





### 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

There have been no Impairments during the year (£174,620 2021/22).



## 5. Collection Fund

### 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.

2021/22	Description	Note	2022/23
£'000			£'000
	<b>COUNCIL TAX;</b>		
	<b>Income</b>		
(73,104)	Income from council tax		(77,375)
(154)	Transfers from General Fund		(11)
(73,258)	Total income		(77,386)
	<b>Expenditure</b>		
	<b>Council Tax;</b>		
71,759	<b>Precepts and demands from county, police and district</b>	C3	76,223
145	Contributions to previous year estimated surplus		872
229	Change in provision for impairment of debts		253
<b>72,133</b>	<b>Total expenditure</b>		<b>77,348</b>
<b>(1,125)</b>	<b>Movement on fund balance</b>		<b>(38)</b>
(379)	Balance at beginning of year		(1,504)
(1,504)	Balance at end of year		(1,542)

2021/22	Share of Council Tax balance allocated to;	2022/23
(215)	NKDC	(217)
(1,079)	Lincolnshire County Council	(1,110)
(210)	Lincolnshire PCC	(215)
<b>(1,504)</b>	<b>Total</b>	<b>(1,542)</b>





## 5. Collection Fund

2021/22	Description	2022/23
£'000		£'000
<b>BUSINESS RATES;</b>		
<b>Income</b>		
(373)	Transitional protection income	-
(20)	Adjustment for transitional protection income	-
(25,614)	Income from business ratepayers	(27,185)
<b>Contributions to previous years surplus/(deficit);</b>		
(4,811)	Central Government	(4,704)
(3,849)	NKDC	(3,764)
(962)	Lincolnshire County Council	(941)
<b>(35,629)</b>	<b>Total Income</b>	<b>(36,594)</b>
<b>Expenditure</b>		
<b>Business Rates:</b>		
14,063	Retained central share	12,137
2,813	Payments to LCC	2,427
11,250	Payment to NKDC	9,710
<b>Distribution of previous year estimated surplus</b>		
-	North Kesteven	-
-	Lincolnshire County Council	-
-	Central Government	-
-	Transitional protection Payments	47
2,368	Renewable energy schemes - NKDC	2,416
163	Renewable energy schemes - LCC	133
124	Costs of collection	125
35	Change in provision for impairment of debts	250
(244)	Change in provision for appeals	341
<b>30,572</b>	<b>Total expenditure</b>	<b>27,586</b>
<b>(5,057)</b>	<b>Movement on fund balance</b>	<b>(9,008)</b>
<b>12,712</b>	<b>Balance at beginning of year</b>	<b>7,655</b>
<b>7,655</b>	<b>Balance at end of year</b>	<b>(1,353)</b>



2021/22			2022/23	
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
3,110	792	NKDC	(493)	928
838	198	Lincolnshire County Council	(63)	232
3,707	990	Central Government	(797)	1,160
<b>7,655</b>	<b>1,980</b>	<b>Total</b>	<b>(1,353)</b>	<b>2,320</b>

### Note C1 - Non-Domestic Rates

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

For 2022/23 the Council are part of a pooling arrangement for business rates income with Lincolnshire County Council, City of Lincoln Council, Boston Borough Council, East Lindsey District Council, South Holland District Council, South Kesteven District Council and West Lindsey District Council.

The total non-domestic rateable value for North Kesteven District Council at 31 March 2023 was £76,676,924 (2021/22 £75,687,508).

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 49.9p for small businesses and 51.2p 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 - exemptions etc.	Ratio to band D	Band D equivalent dwellings
- A	52	5/9	29
A	11,660	6/9	7,773
B	11,489	7/9	8,936
C	11,888	8/9	10,567
D	6,657	9/9	6,657
E	3,402	11/9	4,158
F	1,517	13/9	2,191
G	396	15/9	660
H	43	18/9	85
	<b>47,104</b>		<b>41,056</b>
	Plus: Crown properties		784
	less: adjustment for collection rates		(513)
	less net effect of premiums and discounts		(3,027)
	<b>Council tax base</b>		<b>38,300</b>

### Note C3 - Council Tax Precepts and Demands

Description	Actual Precept for 2022/23 £'000	Share of Surplus/Deficit £'000	Total Precept 2022/23 £'000
Lincolnshire County Council	54,852	624	55,476
North Kesteven District Council	10,789	125	10,914
Lincolnshire PCC	10,582	123	10,705
<b>Total</b>	<b>76,223</b>	<b>872</b>	<b>77,095</b>



## 6. 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.

2021/22			Description	2022/23		
Group Gross expenditure	Group Gross income	Group Net expenditure		Group Gross expenditure	Group Gross income	Group Net expenditure
Group				Group		
£'000	£'000	£'000		£'000	£'000	£'000
11,734	(3,533)	8,201	Our Council	11,645	(2,756)	8,889
23,963	(18,267)	5,696	Our Communities	23,974	(17,923)	6,051
3,649	(2,504)	1,145	Our Economy	1,592	(1,202)	390
864	(341)	523	Our Environment	1,175	(641)	534
3,617	(2,715)	902	Our Homes	3,773	(2,690)	1,083
1,786	(15,927)	(14,141)	HRA	9,132	(16,678)	(7,546)
<b>45,613</b>	<b>(43,287)</b>	<b>2,326</b>	<b>Cost of services</b>	<b>51,291</b>	<b>(41,890)</b>	<b>9,401</b>
604	(882)	(278)	(Gains) / losses on non current asset disposal	1,419	(1,810)	(391)
3,536	-	3,536	Parish council precepts	3,740	-	3,740
172	-	172	Street lighting special expense	172	-	172
583	-	583	Internal drainage board precepts	644	-	644
402	-	402	Contribution of housing capital receipts to government pool	2	-	2
<b>5,297</b>	<b>(882)</b>	<b>4,415</b>	<b>Other operating expenditure</b>	<b>5,977</b>	<b>(1,810)</b>	<b>4,167</b>
-	(1,083)	(1,083)	Movement in assets held at FVPL	713	(2,913)	(2,200)
1,854	(604)	1,250	Investment Properties	216	(872)	(656)
2,446	-	2,446	Interest payable and similar charges	2,736	-	2,736
-	(278)	(278)	Interest and investment income	-	(938)	(938)
2,470	(1,481)	989	Net interest on the defined benefit liability(asset)	3,181	(2,155)	1,026
<b>6,770</b>	<b>(3,446)</b>	<b>3,324</b>	<b>Financing &amp; investment income &amp; expenditure</b>	<b>6,846</b>	<b>(6,878)</b>	<b>(32)</b>
-	(10,471)	(10,471)	Demand on the collection fund	-	(10,917)	(10,917)
11,664	(16,422)	(4,758)	Redistributed business rates	11,559	(16,516)	(4,957)
-	(3,259)	(3,259)	Section 31 grants	-	(3,472)	(3,472)
-	(2,709)	(2,709)	General Government Grants	-	(1,792)	(1,792)
-	(799)	(799)	Capital Grants & Other contributions	-	(218)	(218)
<b>11,664</b>	<b>(33,660)</b>	<b>(21,996)</b>	<b>Taxation &amp; non specific grant income and expenditure</b>	<b>11,559</b>	<b>(32,915)</b>	<b>(21,356)</b>
<b>69,344</b>	<b>(81,275)</b>	<b>(11,931)</b>	<b>(Surplus) / Deficit on the provision of services</b>	<b>75,673</b>	<b>(83,493)</b>	<b>(7,820)</b>
97	-	97	Tax expenses of subsidiary	374	-	374
<b>69,441</b>	<b>(81,275)</b>	<b>(11,834)</b>	<b>Group (Surplus) / Deficit on the provision of services</b>	<b>76,047</b>	<b>(83,493)</b>	<b>(7,446)</b>
2,188	(993)	1,195	(Surplus) / Deficit on revaluation of non current assets	193	(1,750)	(1,557)
233	(13,559)	(13,326)	Actuarial (gains) / losses on pension assets / liabilities	18,190	(55,923)	(37,733)
-	-	-	(Surplus) / Deficit on available for sale assets	-	-	-
<b>2,421</b>	<b>(14,552)</b>	<b>(12,131)</b>	<b>Other comprehensive income and expenditure</b>	<b>18,383</b>	<b>(57,673)</b>	<b>(39,290)</b>
<b>71,862</b>	<b>(95,827)</b>	<b>(23,965)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>94,430</b>	<b>(141,166)</b>	<b>(46,736)</b>

### 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.

	Total Usable Reserves £000s	Unusable Reserves £000s	Total Authority Reserves £000s	Lafford Homes £000s	Total Group Reserves £000s
<b>Current Year</b>					
<b>Balance at 31 March 2022</b>	<b>(32,143)</b>	<b>(101,992)</b>	<b>(134,135)</b>	<b>(259)</b>	<b>(134,394)</b>
<b>Movement in reserves during 2022/23</b>					
Total Comprehensive Income and Expenditure	(4,251)	(39,290)	(43,541)	(3,195)	(46,736)
Adjustments Between Accounting Basis and Funding Basis Under Regulations	10,808	(10,808)	-	-	-
Other Reserve Movements	(1,753)		(1,753)	1,392	(361)
<b>Increase or Decrease in 2022/23</b>	<b>4,804</b>	<b>(50,098)</b>	<b>(45,294)</b>	<b>(1,803)</b>	<b>(47,097)</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>(27,339)</b>	<b>(152,090)</b>	<b>(179,429)</b>	<b>(2,062)</b>	<b>(181,491)</b>
<b>Comparative Year</b>					
<b>Balance at 31 March 2021</b>	<b>(36,735)</b>	<b>(72,514)</b>	<b>(109,249)</b>	<b>(1,180)</b>	<b>(110,429)</b>
<b>Movement in reserves during 2021/22</b>					
Total Comprehensive Income and Expenditure	(12,755)	(12,131)	(24,886)	921	(23,965)
Adjustments Between Accounting Basis and Funding Basis Under Regulations	17,347	(17,347)	-	-	-
Increase or Decrease in 2021/22	4,592	(29,478)	(24,886)	921	(23,965)
<b>Balance at 31 March 2022 carried forward</b>	<b>(32,143)</b>	<b>(101,992)</b>	<b>(134,135)</b>	<b>(259)</b>	<b>(134,394)</b>

## 6. 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.

	2021/22	Description	Notes	2022/23
	£'000			£'000
	217,531	Property, Plant and Equipment	L.4	230,582
	13,524	Investment Property	L.6	18,931
	705	Heritage assets		732
	-	Intangible assets		291
	<b>231,760</b>	<b>Total Non Current Assets</b>		<b>250,536</b>
	12,856	Non property investments		15,954
	5	Long term debtors		2
	<b>244,621</b>	<b>Total Long Term Assets</b>		<b>266,492</b>
		<b>Current Assets</b>		
	541	Assets held for sale		194
	33,206	Short term investments		22,138
	87	Inventories		82
	9,024	Short term debtors		6,807
	7,479	Cash and cash equivalents	L.5	11,214
	<b>50,337</b>	<b>Total Current Assets</b>		<b>40,435</b>
	<b>294,958</b>	<b>Total Assets</b>		<b>306,927</b>
		<b>Current Liabilities</b>		
	(211)	Cash and cash equivalents	L.5	-
	(2,413)	Short term borrowing		(2,492)
	(25,092)	Short term creditors		(17,123)
	(10)	Short term developers' contributions (s106)		-
	(1,229)	Provisions		(1,427)
	<b>(28,955)</b>	<b>Total Current Liabilities</b>		<b>(21,042)</b>
	(84,021)	Long term borrowing		(85,935)
	(6,061)	Developers' contributions (s106)		(11,547)
	(470)	Deferred liabilities		(387)
	(41,057)	Net pension liability		(6,525)
	<b>(131,609)</b>	<b>Total Long Term Liabilities</b>		<b>(104,394)</b>
	<b>(160,564)</b>	<b>Total Liabilities</b>		<b>(125,436)</b>
	<b>134,394</b>	<b>Net Assets</b>		<b>181,491</b>
		<b>Financed by:</b>		
	32,144	Usable Reserves		27,339
	101,991	Unusable Reserves		152,090
	259	Lafford Homes Reserve		2,062
	134,394	Total Reserves		181,491



## 6. Group Accounts

### Group Cash Flow

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

2021/22 Group £'000	Description	Notes	2022/23 Group £'000
<b>11,834</b>	<b>Net surplus or (deficit) on the provision of services</b>		7,446
12,912	Adjustment to surplus or deficit on the provision of services for non cash movements	L3 Note A	(2,282)
(2,694)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	L3 Note A	(3,434)
<b>22,052</b>	<b>Net cash flow from operating activities</b>		<b>1,730</b>
(22,718)	Net cash flow from investing activities	L3 Note C	(6,012)
6,671	Net cash flow from financing activities	L3 Note D	8,228
<b>6,005</b>	<b>Net increase or decrease in cash and cash equivalents</b>		<b>3,946</b>
1,263	Cash and cash equivalents at the beginning of the reporting period		7,268
<b>7,268</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>11,214</b>



# L1 Accounting Policies

## Lafford Homes Ltd Accounts for the year ended 31 March 2023

### 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 2022/23 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 year end

### 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.



## L2 Group Expenditure Funding Analysis

2021/22			Description	2022/23		
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
4,160	4,041	8,201	Our Council	4,782	4,107	8,889
3,870	1,826	5,696	Our Communities	4,280	1,771	6,051
754	391	1,145	Our Economy	594	(204)	390
747	(224)	523	Our Environment	276	258	534
989	(87)	902	Our Homes	1,202	(119)	1,083
(6,913)	(7,228)	(14,141)	HRA	(7,773)	227	(7,546)
<b>3,607</b>	<b>(1,281)</b>	<b>2,326</b>	<b>Net Cost of Service</b>	<b>3,361</b>	<b>6,040</b>	<b>9,401</b>
(4,604)	(9,556)	(14,160)	Other income and expenditure	(448)	(16,399)	(16,847)
<b>(997)</b>	<b>(10,837)</b>	<b>(11,834)</b>	<b>Surplus or Deficit</b>	<b>2,913</b>	<b>(10,359)</b>	<b>(7,446)</b>
(26,036)			Opening General Fund and HRA balance at 31 March 2022	(27,033)		
<b>(997)</b>			<b>(Surplus) or deficit on General Fund and HRA balance in year</b>	<b>2,913</b>		
(27,033)			Closing General Fund, HRA and Group account (Lafford) Balance at 31 March 2023	(24,120)		

### L3 Group Account Cash Flow Note

2021/22	Operating Activities	2022/23
£'000	Note A	£'000
<b>11,834</b>	<b>Net surplus or deficit on the provision of services</b>	<b>7,446</b>
3,210	Depreciation	3,449
(6,187)	Impairment or downward valuations	(1,088)
-	Amortisation	-
38	Increase /decrease in interest creditors	79
13,358	Increase/decrease in creditors	(6,882)
(159)	Increase/decrease in interest debtors	237
(1,070)	Increase/decrease in debtors	(689)
(657)	Movement in Investments classified as Fair value through the P&L	(2,199)
(7)	Increase/decrease in inventories	4
3,506	Pension liability	3,200
276	Contributions to/(from) provisions	198
604	Carrying amount of non current assets sold	1,409
<b>12,912</b>		<b>(2,282)</b>
	<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</b>	
(1,812)	Capital grants that are credited to surplus or deficit on the provision of services	(1,653)
-	Proceeds from the sale of short and long term investments	19
(882)	Proceeds from the sale of property plant and equipment , investment property and intangible assets	(1,800)
<b>(2,694)</b>		<b>(3,434)</b>
<b>22,052</b>	<b>Net cash flows from operating activities</b>	<b>1,730</b>

### L3 Group Account Cash Flow Note

2021/22	Operating Activities	2022/23
£'000	Interest - Note B	£'000
278	Ordinary interest received	938
221	Opening debtor	447
(380)	Closing debtor	(209)
<b>119</b>	<b>Interest Received</b>	<b>1,176</b>
(1,816)	Interest charged for the year	(2,020)
(290)	Opening creditor	(328)
328	Closing creditor	406
<b>(1,778)</b>	<b>Interest Paid</b>	<b>(1,942)</b>

## 6. Group Accounts

### L3 Group Account Cash Flow Note

2021/22	Investing Activities	2022/23
£'000	Note C	£'000
(16,124)	Property, plant and equipment purchased	(17,684)
-	Purchase of new Finance Leases	-
(817)	Opening capital creditors	(209)
209	Closing capital creditors	1,425
<b>(16,732)</b>	<b>Purchase of property plant and equipment, investment property, and intangible assets</b>	<b>(16,468)</b>
(28,000)	Purchase of short term investments	(49,300)
(261)	Purchase of long term investments	(3,000)
<b>(28,261)</b>	<b>Purchase of short and long term investments</b>	<b>(52,300)</b>
-	Long term loans granted - capital grants repaid	(196)
884	Proceeds from the sale of property plant and equipment, investment property, and intangible assets	1,802
19,579	Proceeds from short term and long term investments	59,301
1,812	Capital grants received	1,849
<b>(22,718)</b>	<b>Net cash from investing activities</b>	<b>(6,012)</b>

### L3 Group Account Cash Flow Note

2021/22	Financing Activities	2022/23
£'000	Note D	£'000
10,000	Cash receipts of short-term and long-term borrowing	4,000
(1,160)	Billing authorities - Council tax and NNDR adjustments	6,397
(2,086)	Repayment of short-term and long-term borrowing	(2,086)
(83)	Payments for the reduction of a finance lease liability	(83)
<b>6,671</b>	<b>Net cash flows from financing activities</b>	<b>8,228</b>



## L4 Property Plant and Equipment

2022/23	Council Dwellings	Other Land and Buildings	Vehicles Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Grand Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
<b>Gross book value as at 1 April 2022</b>	<b>173,613</b>	<b>27,159</b>	<b>5,915</b>	<b>759</b>	<b>459</b>	<b>615</b>	<b>13,503</b>	<b>222,023</b>
Additions	4,232	256	1,290	-	-	-	11,953	17,731
Derecognition - Disposals	-	-	(849)	-	-	(262)	(1)	(1,112)
Derecognition - Others	(341)	-	(135)	-	-	-	-	(476)
Reclassifications	8,458	151	21	-	-	178	(11,594)	(2,786)
Revaluation increases / (decreases) recognised in the surplus/deficit of services	(1,448)	378	-	-	-	(162)	-	(1,232)
Revaluation increases / (decreases) recognised in the revaluation reserve	-	1,062	-	-	20	(112)	-	970
Assets reclassified (to) / from Held for Sale	(756)	-	-	-	-	-	-	(756)
<b>GBV At 31 March 2023</b>	<b>183,758</b>	<b>29,006</b>	<b>6,242</b>	<b>759</b>	<b>479</b>	<b>257</b>	<b>13,861</b>	<b>234,362</b>
<b>Depreciation and Impairment</b>								
Accumulated depreciation & Impairments	(714)	-	(3,526)	(253)	-	-	-	(4,493)
Charge for year	(2,258)	(621)	(541)	(21)	-	-	-	(3,441)
Depreciation written out to the Revaluation Reserve	-	554	-	-	-	-	-	554
Depreciation written out to the Surplus/Deficit on provision of services	2,252	67	-	-	-	-	-	2,319
Impairments (losses)/reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairments (losses)/reversals recognised in the Surplus/Deficit on provision of services	-	-	-	-	-	-	-	-
Derecognition - Other	-	-	135	-	-	-	-	135
Derecognition - Disposals	341	-	799	-	-	-	-	1,140
Assets reclassified (to) / from Held for Sale	7	-	-	-	-	-	-	7
<b>At 31 March 2023</b>	<b>(372)</b>	<b>-</b>	<b>(3,133)</b>	<b>(274)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,779)</b>
<b>Balance sheet at 31 March 2023</b>	<b>183,386</b>	<b>29,006</b>	<b>3,109</b>	<b>485</b>	<b>479</b>	<b>257</b>	<b>13,861</b>	<b>230,583</b>
<b>Balance sheet at 31 March 2022</b>	<b>172,899</b>	<b>27,159</b>	<b>2,390</b>	<b>506</b>	<b>459</b>	<b>615</b>	<b>13,503</b>	<b>217,531</b>

## L4 Property Plant and Equipment

2021/22	Council Dwellings	Other Land and Buildings	Vehicles Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Grand Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
<b>Gross book value as at 1 April 2021</b>	<b>163,678</b>	<b>25,301</b>	<b>5,631</b>	<b>759</b>	<b>439</b>	<b>545</b>	<b>12,777</b>	<b>209,130</b>
Additions	2,143	-	516	-	-	-	12,706	15,365
Derecognition - Disposals	-	-	(232)	-	-	-	-	(232)
Derecognition - Others	(1,583)	-	-	-	-	-	-	(1,583)
Reclassifications	2,477	3,924	-	-	-	-	(11,980)	(5,579)
Revaluation increases / (decreases) recognised in the surplus/deficit of services	7,703	(327)	-	-	-	5	-	7,381
Revaluation increases / (decreases) recognised in the revaluation reserve	-	(1,739)	-	-	20	65	-	(1,654)
Assets reclassified (to) / from Held for Sale	(805)	-	-	-	-	-	-	(805)
<b>GBV At 31 March 2022</b>	<b>173,613</b>	<b>27,159</b>	<b>5,915</b>	<b>759</b>	<b>459</b>	<b>615</b>	<b>13,503</b>	<b>222,023</b>
<b>Depreciation and Impairment</b>								
Accumulated depreciation & Impairments	(539)	-	(3,278)	(232)	-	-	-	(4,049)
Charge for year	(2,128)	(593)	(459)	(21)	-	-	-	(3,201)
Depreciation written out to the Revaluation Reserve	(14)	433	-	-	-	-	-	419
Depreciation written out to the Surplus/Deficit on provision of services	2,135	160	-	-	-	-	-	2,295
Impairments (losses)/reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairments (losses)/reversals recognised in the Surplus/Deficit on provision of services	(175)	-	-	-	-	-	-	(175)
Derecognition - Other	-	-	212	-	-	-	-	212
Derecognition - Disposals	-	-	-	-	-	-	-	-
Assets reclassified (to) / from Held for Sale	7	-	-	-	-	-	-	7
<b>At 31 March 2022</b>	<b>(714)</b>	<b>-</b>	<b>(3,525)</b>	<b>(253)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,492)</b>
<b>Balance sheet at 31 March 2022</b>	<b>172,899</b>	<b>27,159</b>	<b>2,390</b>	<b>506</b>	<b>459</b>	<b>615</b>	<b>13,503</b>	<b>217,531</b>
<b>Balance sheet at 31 March 2021</b>	<b>163,139</b>	<b>25,301</b>	<b>2,353</b>	<b>527</b>	<b>439</b>	<b>545</b>	<b>12,777</b>	<b>205,081</b>

## 6. Group Accounts

### L5 Cash and Cash Equivalents

31/3/2022	Group Cash and Cash Equivalents	31/3/2023
£'000		£'000
2,479	Bank current accounts	1,214
5,000	Money Market funds	10,000
-211	Bank overdraft	-
<b>7,268</b>	<b>Total</b>	<b>11,214</b>

### L6 Investment Properties 1

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

31/3/2022	Investment Properties	31/3/2023
£'000		£'000
<b>8,901</b>	<b>Balance at the start of the year</b>	<b>13,524</b>
	<b>Additions:</b>	
333	Purchases	-
-	Subsequent expenditure	-
	Disposals	
-1,289	Net gain/(loss) from fair value adjustments	2,913
	<b>Transfers:</b>	
5,579	to/from property, plant and equipment	2,494
<b>13,524</b>	<b>Total</b>	<b>18,931</b>

### L6 Investment Properties 2

Other significant observable inputs	Fair Value		Other significant observable inputs	Fair Value
Level 2	2021/22		Level 2	2022/23
£'000	£'000		£'000	£'000
13,524	13,524	Residential (market rental) Properties	18,931	18,931
<b>13,524</b>	<b>13,524</b>	<b>Total</b>	<b>18,931</b>	<b>18,931</b>

### L6 Investment properties

#### Transfers between Levels of 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 Process for Investment Properties

The fair value of the Investment properties have been measured as at 31 March 2023 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.

## 7. Auditors Report

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

## Report on the audit of the financial statements

### Opinion on the financial statements

We have audited the financial statements of North Kesteven District Council ('the Council') and its subsidiary ('the Group') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement, the HRA Income and Expenditure Statement, the Movement on the HRA Statement, Collection Fund, Group Comprehensive Income and Expenditure Statement, Group Movement in Reserves Statement, Group Balance Sheet, Group Cash Flow Statement 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 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council and the Group as at 31st March 2023 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 2022/23 as amended by the Code Update.

### 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 and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Resources with respect to going concern are described in the relevant sections of this report.

### 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. The Director of Resources is responsible for the other information. 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.

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 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 2022/23 as amended by the Code Update, 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 2022/23 as amended by the Code Update and prepare the financial statements on a going concern basis, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Director of Resources is responsible for assessing each year whether or not it is appropriate for the Council and Group 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, the Accounts and Audit Regulations 2015, and the Local Government and Housing Act 1989, and we considered the extent to which non-compliance might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- inquiring with management and the Audit Committee, as to whether the Council is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

We evaluated the Director of Resources' incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;



## 7. Auditors Report

- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing, reviewing accounting estimates, and testing significant, one-off unusual transactions

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

We are also required to conclude on whether the Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in February 2023.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Report on the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources

#### Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in January 2023, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2023.

We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

#### Responsibilities of the Accounting Officer

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the Council's 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, and to report where we have not been able to satisfy ourselves that it has done so. 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.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023.

#### 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.

#### 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.

#### Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack;
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources.

*A Newall*

Alastair Newall, Key Audit Partner  
For and on behalf of Mazars LLP  
Mazars LLP  
One St Peter's Square  
Manchester  
M2 3DE

02 February 2024



## 8. 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

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made. 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.

### Billing Authorities

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

### 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.

## 8. Glossary of Terms

### 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 Council as a billing authority has a statutory obligation to maintain a separate Collection Fund. This shows the transactions relating to the collection of Council Tax and Business Rates and its distribution to Local Government bodies.

### 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 or Assets

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council's accounts.

### Council Tax

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

### Creditors

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

### Current Liabilities

Amounts payable that become due during the next financial year.

### MHCLG

Ministry of Housing, Communities and Local Government is a Central Government department with the overriding responsibility for determining the allocation of general resources to Local Authorities

### 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.

### 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.

## 8. Glossary of Terms

### 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.

### 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. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a non-current asset's market value and evidence of obsolescence or physical damage to the asset.

### Infrastructure Assets

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

### 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.



## 8. Glossary of Terms

### Key Prudential Indicator

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

### Liability

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

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

### Long Term Debtor

Amounts due to the Council more than one year after the balance sheet date.

### Materiality

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

### Minimum Lease Payments

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

### Minimum Revenue Provision

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

### Net Book Value

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

### Non-Current Assets

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

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

NDR is the levy on business property, based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines national rate poundage each year which is applicable to all Local Authorities.

### 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 and Crime Commissioner 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.

## 8. Glossary of Terms

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### Pension Fund

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

### Precepts

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

### Provisions

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

### Related Party Transactions

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

### Reserves (usable)

Amounts set aside for general contingencies, to provide working balances or earmarked to specific future expenditure. A detailed listing is included on page 119.

### 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.

## 9. Reserves

<b>Business Rates Appeal Reserve</b>	Maintained to meet any expenditure in relation to business rate appeals
<b>Capital – Refuse Vehicle Replacement Reserve</b>	Created to purchase outright our refuse fleet instead of contract hiring
<b>Capital Reserve</b>	Maintained to finance current and future capital expenditure
<b>Climate Response Reserve</b>	To help drive forward the council's climate response
<b>Covid Response and Recovery Reserve</b>	To help mitigate and manage the impact of Covid-19 on the council's financial position
<b>General Fund - Earmarked Expenditure Reserve</b>	Created to accommodate expenditure that has been carried forward for special schemes
<b>Earmarked Expenditure Reserve – HRA</b>	Created to accommodate HRA expenditure that has been carried forward for special schemes
<b>Environmental Reserve</b>	Maintained to cover the extraordinary costs of Drainage Schemes and contaminated land issues as well as other Environmental Schemes
<b>Financial Resilience Reserve</b>	To build capacity to fund delivery of projects to enhance the Council's management of its financial resilience
<b>General Fund</b>	Resources available to meet future running costs of non-housing services
<b>Housing Services Reserve</b>	Maintained to fund a variety of future housing initiatives
<b>HRA – Affordable/Target Rents Reserve</b>	Created to set aside rental income from affordable rents for the funding of replacement new build dwellings per government agreement
<b>HRA – Housing Revenue Account</b>	Resources available to meet future running costs of Council Houses
<b>Income Volatility Reserve</b>	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.
<b>Invest to Save Reserve</b>	Additional resources to promote and implement initiatives
<b>Local Elections Reserve</b>	Created to fund and smooth the costs of the District Council elections
<b>Monitoring Officer Investigations Reserve</b>	To provide a fund to allow the Monitoring Officer to undertake investigations as required to fulfil their role
<b>New Homes Bonus Reserve</b>	To accommodate increased infrastructure costs associated from additional new homes in district and facilitate the delivery of projects of local benefit.
<b>Our Communities</b>	To support the delivery of activities relating to the 'Our Communities' element of the Corporate Plan
<b>Our Communities - Homelessness Reserve</b>	Contains funding for a variety of homelessness initiatives that are in the process of being implemented by the Council
<b>Our Council Reserve</b>	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
<b>Our Council - ICT Reserve</b>	Maintained in order to protect and smooth the investment required to maintain fit for purpose IT arrangements
<b>Our Economy Reserve</b>	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
<b>Our Homes Reserve</b>	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
<b>Renewals Reserve</b>	Held for the purpose of financing new vehicles, equipment and/or major repairs and maintenance works
<b>Uninsured Claims Reserve</b>	Maintained to accommodate any unforeseen costs of defending and payment of compensation claims brought against the council

# 2022/23

## Statement of Accounts

North Kesteven District Council

### Contacting us

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**North Kesteven**  
DISTRICT COUNCIL