

**SOUTH HOLLAND
DISTRICT COUNCIL**

**STATEMENT OF
ACCOUNTS**

For the Year Ended 31 March 2010

STATEMENT OF ACCOUNTS

2009/10

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EXPLANATORY FOREWORD BY THE HEAD OF FINANCE

The Statement of Accounts provides information on how the Council has used the financial resources available to it. The document is required by law and sets out in concise form various statutory and other relevant information. The notes that follow provide a more straightforward explanation of the often complicated local government finance arrangements.

1. District Profile

Introduction

South Holland District covers a geographical area of 74,238 hectares and is situated in the south eastern corner of Lincolnshire. The District is located in the flat fenlands that have been reclaimed from the sea over the centuries. The District is made up of small rural communities and five towns: Crowland, Holbeach, Long Sutton, Spalding and Sutton Bridge. This area has a low population with 1.03 persons per hectare compared to an average for England and Wales of 3.77 people.

Population

In the 2001 Census the total population of the District was 76,522, an increase of 13.4% since the 1991 Census.

The latest population estimate for South Holland is 83,900 people. (Source: ONS revised mid 2008 population estimates)

The District's population is growing rapidly. In the years between 2001 and 2007 the population of the district grew by 7.9% compared with 7.1% for Lincolnshire and 3.9% for England and Wales. It is predicted to grow by a further 14% in the period to 2018.

The number of households in the District as at 31 March 2010 was 38,239.

Employment

The South Holland economy is largely based upon agriculture, horticulture and food processing as well as services connected to these industries, such as distribution.

Unemployment rates have remained very low in the District up until June 2008 when, as a result of the current economic problems, rates started rising. In April 2010 the claimant count was 3.7%. The regional level at the same time was 4.0% and the England & Wales comparative was 4.1%.

The median gross weekly pay for a full time worker living in South Holland is £443.60 compared with the national figure of £491.00 (ONS 2009)

In the 10 years between 1995 and 2005 the number of employee jobs in the District grew by 64%, considerably higher than any other local district. (NOMIS, ONS Annual Business Inquiry Employee Analysis).

2. Political Structure

The Council hold elections for all district councillors once every four years. At a meeting of Annual Council on 19 May 2010 there were 25 conservatives, 11 independents, and 1 Conservative non-aligned. The next elections will be held in May 2011.

The Council operates with a Cabinet and Overview & Scrutiny function which comprises a Policy Development Panel and Performance Monitoring Panel.

The Cabinet is chaired by the Leader of the Council. The Cabinet has executive decision making powers and meets on a 5 - 6 weekly cycle. Each of the Cabinet members has an area of responsibility known as a 'portfolio' for which they have delegated powers to make executive decisions within their remit.

Although a number of areas of decision making are delegated to the Cabinet or the Senior Management Team, the full Council remains the ultimate decision making body of the Council. The Overview and Scrutiny Panels provide the role of challenge and scrutiny of recent and/or forthcoming executive decisions. Also the role of the Panels is to undertake reviews of specific issues or projects relevant to the Council's services or external scrutiny of partners who provide services that impact on the Council and/or residents of South Holland.

In accordance with the Local Government and Public Involvement in Health Act 2007 the Council is required to review its executive arrangements by 31 December 2010 and decide to adopt either a new Leader and Cabinet or a Mayor and Cabinet style executive. Public consultation in March / April 2010 will be used to inform the Council in making this decision. The new arrangements will be implemented from May 2011.

3. Governance and Audit

The Governance and Audit Committee was established by full Council at its Annual Meeting on 16 May 2007. The purpose of the Committee is to monitor and, if necessary, make recommendations to review the corporate governance and audit arrangements for South Holland District Council. The key areas of responsibility for the Committee are to:

- Review financial statements
- Review internal controls
- Review the internal audit programme
- Review Treasury Management practices
- Scrutinise the Treasury Management Strategy and performance
- To consider the appointment of the external auditor and their independence

4. Council Priorities

Corporate Plan

The Council has a corporate plan which covers a 5 year period and is refreshed annually. The plan sets out the Council's Priorities which are:

- Affordable homes
- Care of our villages and towns
- A secure and diverse economy
- Improving health through cultural and sporting opportunities
- Improving access to services
- Democratic community leadership
- Maintaining our capacity to deliver

We have reviewed the challenges facing the area and people of South Holland and the Council and we have talked to residents about what is important to them and about improvement. The corporate plan is all about achieving the vision for South Holland as a thriving, living, working rural community, a place that people are proud of, and about our vision of being an efficient and well managed local authority that listens and acts upon local concerns.

The priorities define the medium term goals of the authority and as such remain relatively constant from year to year, but the actions associated with them are set annually for each financial year.

There are also three cross-cutting themes that influence all we do in delivering our seven priorities and many other areas of work in the Council. These are:

- Improving health
- Climate change
- Community cohesion

Service Business Plans

The targets within these are set annually but cover a three year period to demonstrate continuous improvement. Targets may be set for National Indicators (NIs) defined by the government or Key Performance Indicators (KPIs) specific to this Council.

Monitoring and Reporting

We monitor and report on the delivery of our priorities in several ways:

- Programme Boards – meet monthly to discuss and report on that month's progress for each priority
- Corporate Dashboard – priority monitoring through performance indicators is viewed and discussed monthly by our Senior Management Team
- Quarterly Governance and Performance Monitoring Report – a detailed report covering all priorities and our cross cutting themes which is taken to Cabinet and the Performance Monitoring Panel
- Annual Report – which reports on our performance for the year, produced annually in June.

5. Use of Resources

The Audit Commission undertakes an annual assessment of the Council's Use of Resources. Following the 2008/09 audit, South Holland was assessed as having a level 3 score. This confirms that the Council exceeds the minimum requirements in its use of resources and is performing well.

Theme	Explanation	Score
Managing Finances	The Council performs well in relation to planning its finances effectively to deliver its strategic priorities along with having a sound understanding of its costs and timely financial reporting which is reliable and meets the needs of users.	3
Governing the Business	Current arrangements are performing well with the Council needing to develop arrangements for the generation of reliable data to inform decision making and manage performance.	3
Managing Resources	The Council is performing adequately in developing organisational plans, and organising and developing its workforce to support the achievement of its strategic priorities and will need to focus on the use of natural resources for future reviews.	2

6. Efficiency

Efficiency savings occur when the cost of providing a service falls but the quality of the service is not reduced. All councils are required to measure and report the value of efficiency savings that they have achieved since April 2008. During 2009/10 the Council has achieved savings of £624,000 against a target of £501,000. With sustained efficiencies carried forward from 2008/09 the cumulative total at the end of March 2010 is £747,000 against a target of £1,002,000.

The Council has approved an efficiency and value for money strategy that has the following key areas:

- Review staffing structure to increase productivity
- Reduce waste
- Pursue value for money
- Greater use of technology
- More effective procurement
- More effective use of assets
- Working in partnership with the public sector
- Carbon reduction

7. Review of 2009/10

Introduction

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

During the year, Council spending has been subject to regular monitoring. Monthly monitoring reports are considered by the Senior Management Team whilst quarterly reports are presented to the Cabinet.

Like many local authorities up and down the country we were faced with unprecedented financial pressures due to the current economic climate which led to reduced income levels e.g. from land charges and markets together with increased demand for many services such as benefits and homelessness. The economic conditions during 2009/10 meant that investment rates available in the financial markets are at an historical low and as such investment income received during the financial year was lower than anticipated. Heads of service were tasked with identifying savings to manage the growing budget deficit. These savings together with vacancy management introduced from mid-year, helped to deliver services within budget.

Shared Services

The Council participates in two Shared Services arrangements.

Legal Services - the Council has not employed its own legal staff since May 2008 when its Legal Team transferred to Lincolnshire County Council through a shared service arrangement. This has given the Council access to a much larger legal team with wider areas of expertise, therefore providing a greater resilience to cope with the peaks and troughs in workloads. Two years on, and the Council have entered a charging regime, being charged on actual work undertaken. The agreed charge-out rates are considerably less than what we can achieve in the private sector.

Procurement Lincolnshire – providing procurement support to all Local Authorities within Lincolnshire and developing contracts which may be used by the councils within the county and across a larger group of public sector organisations. The service aims to provide a centralised resource on behalf of each Local Authority offering a procurement service, with advice and support to members and officers alike.

As part of the annual closedown process a review of the Council's group relationships is undertaken and any partnerships are reviewed to assess their relationship with the Council and therefore how they should be treated within our Statement of Accounts.

The relationship between Lincolnshire County Council and the district councils for the provision of procurement services through Procurement Lincolnshire and also the provision of Lincolnshire Legal Services is deemed to be a contractual relationship only – no group relationship exists in either shared service. Contributions made by South Holland for the provision of services are reflected in the Income and Expenditure Account.

Revaluation of the Council's fixed assets

A full revaluation of all the Council's assets was undertaken in 2008/09. The freehold and leasehold properties which comprise the authority's property portfolio were valued by external valuers.

General Fund asset valuations have been reviewed as at 31 March 2010; this being carried on a 'desktop' basis with some assets being physically inspected. These valuations have been applied to the Council's balance sheet at 31 March 2010. The valuation bases are in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

Fixed assets relating to the Housing Revenue Account were revalued at 31 March 2010 in accordance with prescribed accounting guidance.

Listed below are the valuations relating to the most significant assets held by the Council.

Asset	Previous Valuation 1 April 2009 £'000	Value at 31 March 2010 £'000	Increase/ (Decrease) £'000
Council Houses	167,125	166,387	(738)
Council Offices, Priory Road, Spalding	2,700	2,850	150
South Holland Centre, Spalding	4,500	4,480	(20)
Castle Sports Centre	3,840	3,750	(90)
Castle Swimming Pool	1,420	1,375	(45)

Asset revaluations impact significantly on the Council's balance sheet and revenue accounts but not on Council tax levels.

The General Fund i.e. the Council's Revenue Account

The budget set by South Holland for 2009/10 required an increase in Council Tax of 2.65%. This gave a Band D Council Tax of £153.13.

Our budget requirement for the year was set at £13.756m, representing the net cost of providing the council's services.

Our budget requirement was financed as follows:

	Original Budget £'000
Government Formula Grant (Revenue Support Grant and re-distributed business rates)	8,719
Council Tax Income	5,037
Total	13,756

The following table identifies significant variances in service expenditure analysed by service area. Comparison of outturn is against the original budget for 2009/10 i.e. the budget as approved by Council when setting the Council tax for 2009/10 prior to the start of the financial year.

Service Area	Original Budget £'000	Outturn £'000	Variance £'000
Chief Executive and Strategic Directors			
Services	571	571	-
Corporate Savings Target *	(204)	-	204
Assistant Chief Executive	163	135	(28)
Economic and Community Development	2,765	2,834	69
Community and Neighbourhood Services	4,843	4,421	(422)
Planning and Development	1,469	991	(478)
Organisational Development	88	6	(82)
Customer, Legal and Member Services	1,077	1,024	(53)
Housing and Property	345	344	(1)
Finance			
Services	1,421	1,451	30
Internal Drainage Boards	2,112	2,112	-
Parish Precepts	547	547	-
Interest and Investment Income	(271)	(394)	(123)
General Government Grants			
Local Authority Business Incentive Growth	-	(51)	(51)
Area Based Grant	(175)	(198)	(23)
Housing & Planning Delivery	(200)	(419)	(219)
Net Expenditure	14,551	13,374	(1,177)
Movement to/(from) Earmarked Reserves	(366)	569	935
Statutory Accounting Adjustments	(429)	(365)	64
Outturn for 2009/10	13,756	13,578	(178)

Outturn on the General Fund for the year is £178,000 less than the original budget.

Explaining the major differences:

*The savings target was achieved during the financial year, the impact of which is reflected within the outturn figures for each service area.

The Economic and Community Development outturn is affected by charges relating to capital assets. Additional charges for depreciation and loss on impairment of fixed assets represent significant changes against the original budget. However, these have no impact on the total net cost of services as they are reversed out as part of statutory accounting adjustments. Underspends have been achieved on maintenance, business rates and leisure management.

A refund of VAT relating to excess car parking charges of £136,000, covering the period 1988 -1996 (Fleming Case) and additional government funding for Improvement Grants form a significant element of the underspend within the Community & Neighbourhood Services budget. Savings were achieved during the year on operational services including Recycling and Highways Cleansing without impacting on the level of service provision. Reduction of Income from Car Parks and Markets reflect the current economic situation.

Planning and Development services have benefited from increased income from Development Control fees. Spending on the Local Development Plan in 2009/10

has been deferred pending a joint working arrangement with Boston Borough Council.

A review of the authority's sundry debts was undertaken during the year to assess their collectability particularly in light of the economic downturn. As a result the provision for uncollectable debts has been increased by £187,000 from £172,000 to £359,000.

Interest on investments received during the year of £234,000 fell short of the budget of £271,000 because of continuing low interest rates. Additional interest of £160,000 was received in respect of the VAT refund on excess car parking charges.

The net transfer to earmarked reserves during the year was £569,000, whereas the 2009/10 estimates had assumed a net transfer from reserves of £366,000. Additional Income received from Housing and Planning Delivery Grant, VAT refund, the management of vacant posts within the establishment together with operational savings achieved during the year has allowed funds to be set aside which will be used to deliver Council priorities in future years.

Housing Revenue Account

The Council maintains a separate revenue account for recording all income and expenditure relating to the management and maintenance of its housing stock. This is known as the Housing Revenue Account (HRA) and the items to be charged to it are prescribed by statute.

We budgeted for a decrease in the HRA working balance for 2009/10 of £609,000. The outturn position shows an actual decrease of £453,000, representing an underspend of £156,000.

The key reasons for the difference are:

- Savings on the Sheltered Housing service as a result of restructuring of the service - £53,000.
- An increase in the amount of HRA subsidy payable in respect of 2009/10 arising from the fall in interest rates - £43,000.
- Savings in staffing and material purchases in the Construction Services Unit and repairs budgets - £67,000

The net cost of services for 2009/10, as shown in the Income and Expenditure Account, for the HRA shows a significantly different position i.e. £3.098m against £23.726m reported for 2008/09. This is the result of a £24m accounting entry which was included in the 2008/09 accounts reflecting a 'downwards' revaluation in the Council's Housing stock as a result of the downturn in house prices since the previous valuation. This accounting adjustment had no impact on the HRA balance as a compensating adjustment was made and shown in the Statement of Movement on the HRA, in accordance with accounting requirements.

The balance on the HRA has decreased from £1.848m to £1.395m.

Capital Expenditure and Income

Capital Expenditure can be defined as that which generates an asset that has a useful life of more than one year. The Capital Account shows the income and expenditure transactions we make when we:

- Buy or sell land or property
- Build new property
- Carry out major repairs to our properties
- Improve our properties
- Provide grants for the above type of activity

The original budget plan for the year was to spend £11.779m on capital projects. The final approved programme, based on projections as at 31 December 2009, was set at £9.042m. Outturn for the year amounted to £8.892m which was £0.150m less than the final approved budget. The capital programme is reviewed by the Cabinet on a quarterly basis.

Capital Expenditure was financed from the following sources:

	Final Budget £'000	Outturn £'000
Major Repairs Allowance	2,489	2,489
Capital Receipts	1,069	976
Direct Revenue Financing	1,442	1,339
Capital Grants and Contributions	3,536	3,582
Supported Borrowing	506	506
Total	9,042	8,892

An analysis of Capital Expenditure incurred in the year against the final approved budget is shown below:

Scheme	Final Budget £'000	Outturn £'000	Variance £'000
Improvement to Council Houses	4,170	4,139	(31)
Food Heritage Centre	1,500	1,643	143
Industrial Units	700	714	14
Gypsy and Travellers Sites	815	828	13
Investment in ICT	311	245	(66)
Grants paid to private sector tenants	381	387	6
Grants - Other	357	155	(202)
Culture, Heritage and Sports	497	508	11
Other Capital Projects	311	273	(38)
Total	9,042	8,892	(150)

Explaining the major differences:

- PSICA Conservation Grants – underspend of £202,000 – grants have a two year acceptance period.
- Fulney Field Skate Park – underspend of £120,000 – scheme to be completed by May 2010.
- Food Heritage Centre – Red Lion Street – Scheme ahead of schedule. Payments in year were £143,000 higher than expected.

The 2010/11 capital programme has been amended to reflect the outturn position for 2009/10. The Council estimate that it will spend £11.661m on capital investment in 2010/11. Major capital commitments at 31 March 2010 include Council House Improvements and Food Heritage Centre, Spalding.

Council Tax Collection

The net collectable amount for 2009/10 Council Tax was £33.655m, of which £32.973m has been received. This represents a collection rate of 98.00% against a target of 98.50%.

In view of the continuing economic downturn, a more realistic target of 98.1% was identified during the year. The final collection rate was just short of this. However, it was still a modest improvement on the 2008/09 collection rate of 97.9%. The impact of the economic downturn on collection performance is apparent from the fact that we obtained more court orders for unpaid council tax in 2009 compared to 2007 (2008 figures not used as they were distorted by substitute billing that year). Council tax debt write offs are not significantly different to the previous year and so we are continuing to take prompt enforcement action for the remaining account balances in line with the collection and recovery timetable. Ultimately, we expect to collect 99.6% as normal but that will take slightly longer to achieve as we have to be more flexible with payment arrangements which need to reflect what people can reasonably afford to pay in the current climate.

Significance of Pension liabilities and assets

The application of Financial Reporting Standard (FRS) 17 has resulted in a pension liability of £36.293m (£15.845m 2008/09) being shown in the balance sheet. This represents the liability to Lincolnshire County Council's pension fund. This amount is matched by a Pension Reserve, also shown in the Balance Sheet, and therefore has no impact on the Council's overall financial position at 31 March 2010.

The FRS 17 balance sheet position for South Holland has deteriorated in 2009/10. This is because of the impact of unfavourable financial assumptions coupled with stronger post retirement mortality assumptions, which serve to outweigh the more favourable asset returns over the year. This is explained further.

FRS 17 requires that pension fund liabilities are valued using a good quality corporate bond yield. Over the year corporate bond yields have decreased significantly from 6.9% at 31 March 2009 to 5.5% at 31 March 2010. This drop in yields alone has increased liabilities by approximately 30% - 35%. In addition Local Government Pension Scheme benefits increase in-line with inflation. Expectations that inflation would increase in the future also rose over the year from 3.1% to 3.8%, further increasing the value of liabilities. This typically added a further 10% onto the value of liabilities. Therefore the change in financial

conditions has increased the value of the liabilities, for the average employer by approximately 40% - 50%.

The post mortality assumptions have been strengthened to allow for the expectation that on average members are living longer. This increased liabilities by a further 4% to 6% for a typical employer.

Liabilities for South Holland have increased by 61.8%.

Full details on pensions are set out in the Accounting Policies and in note 43 to the Core Financial Statements.

Changes in accounting policies

Council Tax and Business Rates

The SORP 2009 has introduced a change in the treatment of Council Tax and NNDR (Business Rates). The change recognises South Holland District Council's status as a collector of local taxes on behalf of the Government (NNDR) and of major precepting authorities (Council Tax). This change in policy requires that a prior year adjustment be made to the 2008/09 comparative figures disclosed in the Statement of Accounts. Full details are shown in Note 2 to the Core Financial Statements. A new accounting policy has been included on page 27.

Housing and Planning Delivery Grant

In accordance with the Statement of Recommended Practice, Housing and Planning Delivery grant has been accounted for as a General Government Grant on the face of the Income and Expenditure Account and is shown in Note 8 to the Core Financial Statements. A prior year adjustment relating to 2008/09 has been recognised in the Statement of Accounts.

Valuations and Accounting for Depreciation.

The Council has 104 non-traditional built dwellings (e.g Airey houses) as part of its housing stock. Last year, valuations on these properties were based on their market value. However, owing to the current economic climate, the valuation of these properties, at 31 March 2010, has been made on an investment basis. This represents a policy change with regard to their method of valuation. The valuation basis for the all other Council dwellings remains unchanged.

HRA Infrastructure assets had previously been revalued. This practice was incorrect and therefore the assets have reverted back to their historic cost.

During 2009/10, the Council compiled a new fixed asset register in order to provide better clarity of the information in the accounts. The new register is also used to calculate asset depreciation charges based on estimated useful lives. From 2009/10, the depreciation charge is based on the opening book value of assets as at 1 April. Any additions or acquisitions in the year are depreciated in the following financial year, unless the charge is considered material to the current year's accounts.

Depreciation on Council dwellings had previously been based on the Major Repairs Allowance as a proxy for depreciation. From 2009/10 depreciation has been calculated on a straight line basis, based on the estimated life of the dwellings.

Treasury Management Performance

During the financial year the Council operated within the treasury limits as set out in its Treasury Management and Annual Investment Strategy.

During 2008/09 the turmoil in the financial markets meant that many previously highly rated institutions were downgraded, and although this situation started to improve towards the end of 2009/10, we continue to manage risk by limiting surplus cash investments to short term deposits with highly rated UK institutions. We regularly seek advice from our Treasury management consultants.

Total Interest credited to the Income and Expenditure Account in 2009/10 was £421,000. This includes interest of £160,000 relating to the VAT refund on excess car parking charges. Interest earned from investments during 2009/10 was £261,000, which was less than our original forecast of £302,000. The interest received in the year is allocated between the General Fund and the Housing Revenue Account.

The average interest rate that we received on our investments during 2009/10 was 1.35%. This was less than our original forecast of 2.33%. However we were able to exceed the 3 month London Inter-Bank Bid Rate (LIBID) of 0.73%.

The value of Investments held at the 31 March 2010 was £11.808m. (£13.778m at 31 March 2009).

Reserves and Balances

The General Fund working balance at the end of the financial year is £1.912m, which will be carried over into 2010/11. The working balance is maintained to provide a financial cushion should something unexpected occur that leads to significant unplanned expenditure that would not be met from other sources or by specific government grants. The current minimum working balance for the General fund is set at £1.3m.

The Housing Revenue working balance of £1.395m represents the existing revenue balance of which £250,000 has been earmarked for risk management and insurance purposes. The current minimum working balance for the Housing Revenue Account is set at £0.664m, based on £170 per property.

The Council holds a number of earmarked reserves to finance future capital and revenue expenditure. The value of earmarked reserves held at 31 March 2010 is £3.701m (£3.087m at 31 March 2009). A full analysis of earmarked reserves is contained in note 37 to the Core Financial Statements.

Merged Services

Providing value for money services is essential in today's public sector and in 2009-2010 South Holland has been working closely with East Lindsey District Council looking at how the two authorities can benefit from merging our business support services. Two external reports were commissioned firstly from Sector and then Tribal which confirmed that both authorities could benefit not only from significant savings but also from improved resilience and more secure services. In the autumn of 2009 both councils formally agreed to look at how we can merge IT, Finance, Benefits & Revenues, Customer Services and Human Resources. Work is progressing and is expected to yield significant savings for both authorities, an essential requirement in the current financial environment facing the

public sector. On the 1 August Compass Point Business Services (East Coast) Limited was formed to deliver these services to both South Holland and East Lindsey District Council.

Food Heritage Centre Community Interest Company

During the year the Council set up the Food Heritage Centre Community Interest Company. It is intended that the Company will provide starter unit accommodation for the benefit of the local business community together with the provision of training facilities for the wider community. Although there were no financial transactions during 2009/10 it is envisaged that the Council will have to consolidate the company's accounts into its own group accounts once the company commences trading. Further explanation is contained in note 30 to the financial statements.

Risk Management

During 2009/10 the Council has continued to improve and embed its risk management policy, which has been supported by the adoption of a Risk Maturity Model. This has ensured that the Council's operational, corporate, partnership and project risks are being effectively managed. Financial risk is reviewed monthly and ensures that the Council maintains an appropriate level of cash balances and reserves.

Equality and Diversity

All key financial strategies and policies have had equality impact assessments prepared and any improvements built into the Finance Business Plan for 2009/10.

Audit

The first draft of these accounts will be approved by full Council on 23 June 2010. The accounts will be subject to audit by the Audit Commission which will commence on 12 July 2010. Publication of the accounts will follow the completion of the audit and the statutory deadline for publication is the 30 September 2010.

8. The Statement of Accounts

The Statement of Accounts for South Holland District Council presents the overall financial position for the Authority for the year ended 31 March 2010 and has been produced in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, a statement of recommended practice published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The accounts consist of:

Statement of Accounting Policies (pages 18- 28)

This provides details of the framework within which the Council's accounts are prepared and published.

Statement of Responsibilities (page 29)

The responsibilities for the Statement of Accounts details the respective responsibilities of the Head of Finance as Chief Finance Officer and the Council.

Income and Expenditure Account (page 30)

This account summarises the resources that have been generated and consumed in providing services and managing the Council during 2009/10. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Statement of Movement on the General Fund Balance (page 31)

The Income and Expenditure Accounts shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed rather than as the fixed assets are consumed
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the Capital Receipts Reserve balance rather than council tax.
- Retirement benefits are charged as amounts become payable to the pension fund rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

Statement of Total Recognised Gains and Losses (page 32)

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

The Balance Sheet (pages 33 - 34)

This sets out all the Council's assets and liabilities at 31 March 2010. The statement shows the balances and reserves at the Council's disposal, its long-term indebtedness and the fixed assets and net current assets employed in its operations together with summarised information on fixed assets held.

The Cash Flow Statement (pages 35)

This statement summarises the Council's cash transactions for the year.

Notes to the Core Financial Statements (pages 36 – 72)

These are notes relating to the preceding financial statements which explain and provide additional information to the figures included within the statements.

Supplementary Financial Statements:

Housing Revenue Account Income and Expenditure Account (pages 73)

The Housing Revenue Account (HRA) reflects a statutory obligation to maintain a revenue account for local authority housing provision in accordance with Part 6 of the Local Government and Housing Act 1989. The HRA Income and Expenditure Account shows, in more detail, the income and expenditure on HRA services which is included in the whole authority Income and Expenditure Account.

Statement of Movement on the Housing Revenue Account Balance (page 74)

This statement shows how the HRA Income and Expenditure Account surplus or deficit reconciles to the movement on the Housing Revenue Account balance for the year.

Notes to the Housing Revenue Account (pages 75 - 80)

These are notes relating to the preceding financial statements which explain and provide additional information to the figures included within the statements.

Collection Fund Income and Expenditure Account and Notes (pages 81 - 83)

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-domestic rates and Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund

Group Accounts and Notes (pages 84 - 89)

These accounts consolidate the Council's accounts with that of South Holland Homes Community Interest Company, a wholly owned subsidiary of the Council. The group accounts, which include an Income and Expenditure Account and Balance Sheet, reflect the financial position of the group as a whole. Comparatives for 2008/09 and cash flow statement are not available since 2009/10 was the first year of consolidation.

Annual Governance Statement (pages 90 – 99)

The Annual Governance Statement sets out the Council's responsibility for Internal Control and describes both the purpose of internal control and the internal control environment. The statement also summarises the Council's review of the effectiveness of the internal control and highlights significant internal control issues and actions to be taken in order to address these.

A glossary of terms (pages 103 - 109) is provided at the end of the Statement of Accounts to assist the reader.

Further Information

Further information about the accounts is available from the Head of Finance, Council Offices, Priory Road, Spalding, PE11 2XE.

Interested members of the public have a statutory right to inspect the accounts before the audit is completed. For the 2009/10 accounts the inspection period was 12 July 2010 to the 9 August 2010.

The Statement of Accounts is available on the Council's web-site.

www.sholland.gov.uk.

Sarah Naylor
Section 151 Officer
22 September 2010

STATEMENT OF ACCOUNTING POLICIES

1. General

The Statement of Accounts has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2009– A Statement of Recommended Practice (the SORP)*, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). Accounting policies and estimation techniques have been selected and exercised having regard to the accounting principles and concepts set out in FRS18, specifically:

The qualitative characteristics of financial information

- Relevance
- Reliability
- Comparability
- Understandability
- Materiality

Pervasive Accounting Concepts

- Accruals
- Going Concern
- Primacy of Legislative requirements

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- **Fees, charges and rents** due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- **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 stocks on the Balance Sheet.
- **Interest receivable** on investments is accounted for 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 income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount, where considered material, is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires a settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated Settlements are reviewed at the end of each financial year. Where the Council considers that a provision is no longer required, it is reversed and credited back to the relevant service revenue account.

No provisions have been accounted for in 2009/10.

4. Reserves

The Council sets aside specific amounts as reserves to meet potential future commitments for both capital and revenue purposes. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance.

When revenue expenditure, to be financed from a reserve, is incurred, it is charged to the appropriate service revenue account in the year to score against the Net Cost of Services in the Income and Expenditure Account. When capital expenditure, to be met from a reserve, is incurred, the expenditure is financed from revenue resources and recorded in the Statement on the Movement of the General Fund Balance. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable capital resources for the Council – the Revaluation Reserve, Capital Adjustment Account and Pension Reserve are explained in the relevant policies below.

5. Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, government grants and third party contributions are recognised as income at the date that the Authority satisfies the conditions of entitlement to the grant or contribution, there is reasonable assurance that monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in the service revenue accounts with service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant, Area Based Grant, Housing and Planning Delivery Grant) are credited to the Income and Expenditure Account after Net Operating Expenditure.

6. Retirement Benefits

Pension Costs – The Council fully complies with the requirements of FRS 17, Retirement Benefits and recognises the cost of retirement benefits in the revenue account when employees earn them, rather than when the benefits are eventually paid as pensions.

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

Local Government Pension Scheme

The liabilities of the pension scheme attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to the 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 discounted to their value at current prices; using a discount rate of 5.5% (6.9% 2008/09) based on the indicative rate of return on the Bond yields and inflation rates.

The assets of the Lincolnshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

The change in the net pension liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Accounts as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account
- gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs

- actuarial gains and losses – changes in net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses
- contributions paid to the Lincolnshire County Council pension fund – cash paid as employer contributions to the pension fund.

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 in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund balance this means that there are appropriations to and from the Pension 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 any amounts payable to the fund but unpaid at the year-end.

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.

7. VAT

Income and Expenditure excludes any amounts related to VAT as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from it.

8. Overheads and Support Services

The cost of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of CIPFA *Best Value Accounting Code of Practice (BVACOP) (2008)*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account as part as Net Cost of Services.

Support Services have been allocated on the following basis:

Cost	Basis of Allocation
Accountancy	Based on support given to each cost centre.
Administrative Services Benefit Fraud	Based on Full Council salary allocations. Based on time spent on specific types of fraud investigations.
Central Procurement Unit	Pro rated expenditure on premises, supplies services, supplier invoices and purchase orders.
Community and Neighbourhood Services Administration	Based on salary allocations for Community and Neighbourhood Services.
Communications	Full Council Salary allocations weighted against service support given.
Corporate Administration Council Office Accommodation	Based on Directors' salary allocation. Floor area occupied by each service, then by salary allocations within each service.
Customer Services	Frontline customer contact and customer management system (CRM) information.
Debtors	60% based on invoices raised and 40% on recovery action.
Depots	Based on floor area occupied.
Finance Administration	Based on salary allocations weighted to specific services. Not all service is recharged.
Human Resources Information Services	Based on salary allocations. Weighted by service level of support and direct recharge of hardware and software.
Insurance/ Risk Management	Based on where premiums are allocated to each cost centre.
Internal Audit	Based on the audit plan.
Legal Services	Based on support given to each cost centre.
Mail and Postage	Based on previous and predicted service usage.
Organisational Development	Based on corporate salary allocations.
Organisational Development Administration	Based on Head of Service salary allocations.
Payments Office	Number of transactions per service during the previous year.
Payroll	Based on salary allocations-single status and establishment.
Planning Administration	Based on salary allocations for Planning and Development.
Photocopying	Previous year's actual usage.
Reception and Telecoms	Previous year's actual usage from switchboard information and CRM system data.
Workplace Safety	Based on salary allocations.

9. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

10. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement: assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- Investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
- Dwellings, other land and buildings – lower of net current replacement cost or net realisable value in existing use other than for 104 non traditional dwellings (e.g. Airey houses), which in 2009/10 have been valued on an investment basis by capitalising the rental income stream whilst allowing for a greater potential repair burden.
- Vehicles, plant and equipment – depreciated historical cost
- Infrastructure assets and community assets – depreciated historical cost
- Assets under construction are valued at cost, with the land on which the asset stands being valued separately in its existing condition.

Net Current replacement cost is assessed as:

- Non-specialised operational properties – existing use value
- Specialised operational properties – depreciated replacement cost
- Investment properties and surplus assets – market value

Assets, included in the Balance Sheet at current value are revalued at least every five years and in the interim reviewed at the end of the each year either by desktop review or by physical inspection. Valuations of property assets are carried by an external, qualified valuer who is independent of the Council. The method of valuations is as recommended by CIPFA and in accordance with the principles and guidance notes issued by the Royal Institute of Chartered Surveyors.

Increases as a result of revaluations are debited to the appropriate asset account, with the opposite entry going to the revaluation reserve to recognise unrealised gains, except to the extent where it reverses a previous revaluation loss that was charged to a service revenue account within the Income and Expenditure Account.

In this case the revaluation gain will first be used to offset the previous loss and any further gain is then taken to the revaluation reserve. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its informal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- Otherwise – written off against any revaluation gains attributable to the relevant asset in the revaluation reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account 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 in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts.

A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. Appropriate HRA capital receipts are earmarked for affordable housing to avoid pooling. 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. Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

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

Depreciation: depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- Council Dwellings – straight line allocation over the life of the property as estimated by the valuer
- Other buildings – straight line allocation over the life of the property as estimated by the valuer

- Vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- Infrastructure – straight line allocation.
- Community Assets – straight line allocation

Where an asset has major components e.g. Land, Buildings, Plant and Machinery with different estimated useful lives, these are depreciated separately. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Grants and contributions: where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to balance depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

11. Charges to Revenue for Fixed Assets

Service revenue accounts, support services and trading accounts are charged with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- amortisation of intangible fixed assets attributable to the service

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisation. However it is required to make an annual provision from revenue, Minimum Revenue Provision (MRP), to contribute towards the reduction in its overall borrowing requirement.

The Council has assessed the MRP in accordance with the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003. The charge to the general fund in 2009/10 is based on 4% of the adjusted Capital Financing Requirement in accordance with option1 of the guidance.

Depreciation, impairment losses and amortisation are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

12. Revenue Expenditure Funded from Capital under Statute

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

13. Leases

Details relating to payments made under operating leases are shown in notes 19 and 20 to the Core Financial Statement. Rentals payable are charged to the relevant service revenue account on a straight line basis over the term of the lease, meaning that rentals are charged when they become payable.

14. Contingent Assets and Contingent Liabilities

FRS 12 defines a contingent asset as a possible asset that arises from past events and whose existence will be confirmed by the occurrence of one or more future events not wholly within the Council's control. Contingent assets are not recognised in the Income and Expenditure Account or Balance Sheet but are disclosed in the notes to the accounts.

FRS 12 defines contingent liabilities as either:

- A possible obligation that arises from past events and whose existence will be confirmed by the occurrence of one or more uncertain future events not wholly within the Council's control, or
- A present obligation that arises from past events but is not recognised because:
 - It is not probable that a transfer of economic benefits will be required to settle the obligation, or
 - the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised within the accounts as an item of expenditure but are disclosed in the notes to the accounts.

Contingent assets and liabilities at 31 March are disclosed in Note 38 to the accounts. The Council has a materiality level for disclosure of £50,000.

15. Events after the Balance Sheet Date

The accounts include the impact of any material post balance sheet events that reflect conditions existing at the balance sheet date. Any material post balance sheet events that reflect conditions after the balance sheet date are disclosed as a note to the accounts.

16. Financial Instruments

The statements have been produced recognising the requirements of FRS 26 Financial Instruments: Recognition and Measurement, FRS 25 Financial Instruments: Presentation and Disclosures and FRS 29 Financial Instruments: Disclosures.

Financial Assets

Financial Assets are classified into two types:

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

The Council's investments have been treated as loans and receivables and have been initially measured at fair value and carried at the amortised cost. We have based our fair value report on the comparable new borrowing/deposit rate for the same financial instrument from a comparable lender. This approach is applied to both financial assets and financial liabilities.

17. Stocks and Work in Progress

These are valued at actual cost price.

18. Cash Flow Statement

As permitted by FRS 1, the Council's cash flow statement has been presented using the indirect method.

19. Prior Period Adjustments

Material items adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements.

20. Collection Fund

Billing authorities have to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and non domestic rates. The Council acts as an agent, collecting and distributing council tax income on behalf of itself and the major precepting authorities, and non domestic rates on behalf of the Government.

From 1 April 2009 for both billing and precepting authorities, the council tax income included in their Income and Expenditure Accounts shall be the accrued income for the year. Any difference between the income included in the Income and Expenditure Account and their demand or precept is taken to the new Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance. As the collection of council tax is an agency agreement there is a debtor/creditor position between the billing authority and the major preceptors.

As billing authority, this Council's Cash Flow Statement includes in 'revenue activities' only its own share of the council tax collected.

The Council collects money from non domestic ratepayers on behalf of the Government. This income does not appear in the Income and Expenditure Account, nor do debtor and creditor balances and provision for doubtful debts appear in the Council's Balance Sheet. This is a change from the previous treatment of these items and the Council has made a prior period adjustment to the 2008/09 comparative figures in this statement to reflect the new agency status of this role.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The authority 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 authority, that officer is the Head of Finance, as Chief Finance Officer
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Statement of Accounts

The Chief Financial Officer's Responsibilities

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

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

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

The Chief Financial Officer has also:

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

Certification by the Head of Finance

I hereby certify that the Statement of Accounts gives a 'true and fair' view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2010

Sarah Naylor
Section 151 Officer

Dated: 22 September 2010

Approval of Accounts

I confirm that these accounts were approved by the full Council at the meeting held on the 23 June 2010.

Signed on behalf of South Holland District Council:

Cllr SG Marthews
Chair of meeting approving the accounts

Dated: 22 September 2010

CORE FINANCIAL STATEMENTS
INCOME AND EXPENDITURE ACCOUNT

	Expenditure £'000	2009/10 Income £'000	Net £'000	Restated 2008/09 Net £'000
Central services to the public	7,243	(6,433)	810	993
Cultural, environmental, regulatory and planning services	11,455	(3,400)	8,055	9,373
Highways and transport services	843	(579)	264	390
Local authority housing (HRA)	16,368	(13,270)	3,098	23,726
Other housing services	17,909	(16,879)	1,030	990
Corporate and Democratic Core	2,034	(79)	1,955	1,704
Non Distributed Costs	3	-	3	419
Net Cost of Services	55,855	(40,640)	15,215	37,595
Gain on the disposal of fixed assets			(58)	(173)
Precepts of local precepting authorities (Note 11)			2,659	2,572
Contribution of housing capital receipts to government pool			317	165
Interest and investment income			(421)	(857)
Pensions interest cost and expected return on pensions assets (Note 43)			1,225	578
Net Operating Expenditure			18,937	39,880
Demand on the Collection Fund			(5,021)	(4,815)
General government grants (Note 8)			(2,303)	(1,557)
Non-domestic rates redistribution			(7,084)	(7,403)
Deficit for the Year			4,529	26,105

**STATEMENT OF MOVEMENT ON THE
GENERAL FUND BALANCE**

	2009/10 £'000	Restated 2008/09 £'000
Deficit for the year on the Income and Expenditure Account	4,529	26,105
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (Note 14)	(4,707)	(25,727)
(Increase)/ Decrease in General Fund Balance for the year	(178)	378
General Fund Balance brought forward	(1,734)	(2,112)
General Fund Balance carried forward	(1,912)	(1,734)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2009/10 £'000	Restated 2008/09 £'000
Deficit for the year on the Income and Expenditure Account	4,529	26,105
Surplus arising on revaluation of fixed assets	(3,006)	(1,726)
Actuarial (gains) and losses on Pension Fund assets and liabilities	20,037	5,886
Total Recognised Gains and Losses for the year	21,560	30,265

BALANCE SHEET AS AT 31 MARCH 2010

	31 March 2010 £'000	Restated 31 March 2009 £'000
Fixed Assets		
Intangible assets	140	198
Tangible fixed assets		
Operational Assets:		
Council dwellings	166,387	167,125
Other land & buildings	21,404	20,958
Vehicles, plant & equipment	768	551
Infrastructure assets	1,473	1,508
Community assets	666	691
Non-operational assets:		
Surplus assets	400	759
Investment properties	228	217
Assets under construction	3,514	1,013
Total Fixed Assets (Note 15 to 18, 22 to 26)	194,980	193,020
Long term debtors (Note 28)	245	264
Total Long Term Assets	195,225	193,284
Current Assets		
Stocks and work in progress	43	31
Debtors (Note 29)	3,797	2,644
Investments	11,808	13,778
Cash and bank	47	714
Total Current Assets	15,695	17,167
Current Liabilities		
Creditors (Note 29)	(4,897)	(3,784)
Total Current Liabilities	(4,897)	(3,784)
Total Assets less Current Liabilities	206,023	206,667
Government grants deferred	(3,311)	(1,071)
Capital grants and contributions (Note 33)	(3,745)	(5,517)
Liability related to defined benefit pension scheme (Note 43)	(36,293)	(15,845)
Total Assets less Liabilities	162,674	184,234

BALANCE SHEET AS AT 31 MARCH 2010 (CONTD)

	31 March 2010 £'000	Restated 31 March 2009 £'000
Financed by:		
Revaluation Reserve	10,653	8,087
Capital Adjustment Account	178,116	181,446
Pensions Reserve (Note 43)	(36,293)	(15,845)
Capital Receipts Reserve	2,654	3,345
Deferred Capital Receipts	68	69
Collection Fund Adjustment Account	(30)	(14)
Major Repairs Reserve	498	477
General Fund Balance	1,912	1,734
Housing Revenue Account Balance	1,395	1,848
Earmarked Reserves	3,701	3,087
Total Net Worth (Note 37)	162,674	184,234

These financial statements replace the unaudited financial statements authorised at the meeting of the Governance and Audit Committee on 17 June 2010.

Sarah Naylor

Section 151 Officer

22 September 2010

CASH FLOW STATEMENT

	2009/10 £'000	Restated 2008/09 £'000
Net cash flow from operating activities (Note 44)	(3,379)	(951)
Returns on investment and servicing of finance		
Cash Outflows:-		
Interest Paid	-	-
Cash Inflows:-		
Interest Received	(805)	(762)
Net cash Inflow from investments and servicing of finance	(805)	(762)
Capital Activities		
Cash Outflows:-		
Purchase of fixed assets	7,046	3,778
Other capital cash payments	60	-
Cash Inflows:-		
Sale of fixed assets	(602)	(1,846)
Capital grants received (Note 44)	(353)	(2,100)
Other capital cash receipts	(2,740)	(652)
Net cash flow from capital activities	3,411	(820)
Net cash (inflow)/outflow before financing	(773)	(2,533)
Management of Liquid Resources		
Net increase/(decrease) in short term deposits	(1,586)	2,133
Amounts relating to Major Preceptors and NNDR	3,026	64
Net Decrease/(Increase) in Cash	667	(336)

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 1 – ACQUIRED, DISCONTINUED OPERATIONS AND OUTSTANDING LIABILITIES

There have been no acquired, discontinued operations or outstanding liabilities during 2009/10.

NOTE 2 – PRIOR PERIOD AND EXCEPTIONAL/EXTRAORDINARY ITEM

Exceptional Items

During the year the Council received a refund of VAT relating to excess car parking charges, including interest, covering the period 1988 -1996 (Fleming Case). The total amount received was £296,000.

Prior Period Adjustments

Prior period adjustments have been made to reflect the changes in accounting treatment for the Collection Fund this year. The adjustments that have been made to the comparative 2008/09 Accounts affect figures within the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet and Cash Flow, and the appropriate notes supporting the amended figures. There is no effect on the Council's net worth or General Fund Balance.

A prior year adjustment has been made to recognise the treatment of the Housing and Planning Delivery grant received by the Council.

	2008/09 Published Accounts £'000	Prior Year Adjustment £'000	2008/09 Restated £'000
Income and Expenditure Account			
Cultural, environmental, regulatory and planning services	9,104	269	9,373
General Government Grants	(1,288)	(269)	(1,557)
Demand on the Collection Fund	(4,834)	19	(4,815)
Statement of Movement on the General Fund Balance			
Net additional amount required by statute	(25,708)	(19)	(25,727)
Balance Sheet			
Debtors	3,484	(840)	2,644
Creditors	(4,622)	838	(3,784)
Collection Fund	12	(12)	-
Collection Fund Adjustment Account	-	14	14
Cash Flow			
Net cashflow from Operating Activities	(887)	(64)	(951)
Amounts relating to Major Preceptors and NNDR	-	64	64

NOTE 3 – PUBLIC FINANCE INITIATIVE (PFI) TRANSACTIONS

There have been no PFI transactions during 2009/10.

NOTE 4 – TRADING SERVICES

	£'000	£'000
Markets are provided in Spalding, Holbeach, Long Sutton and Crowland	Turnover	(136)
	Expenditure	217
	(Surplus)/Deficit	81
	(Surplus)/Deficit Previous Year	102
The Council provides off street car parking predominantly within Spalding	Turnover	(426)
	Expenditure	228
	(Surplus)/Deficit	(198)
	(Surplus)/Deficit Previous Year	(16)
The Council lets 46 industrial units at Pinchbeck, Holbeach, Crowland and Sutton Bridge	Turnover	(103)
	Expenditure	86
	(Surplus)/Deficit	(17)
	(Surplus)/Deficit Previous Year	(13)

Trading Services are shown in the Net Cost of Services in the Income and Expenditure Account.

NOTE 5 – AGENCY INCOME AND EXPENDITURE

The Council undertook the following work on an agency basis for which it was fully reimbursed. The value of reimbursement is given below:

Waste Collection for Lincolnshire County Council £40,280 (2008/09 £40,280)

Amenity Grass Cutting for Lincolnshire County Council £26,120 (2008/09 £27,990)

NOTE 6 – TRANSPORT ACT 2000

The Authority does not have any road charging schemes.

NOTE 7 – PARTNERSHIP SCHEMES UNDER SECTION 31 HEATH ACT 1999

The Authority does not have any partnership schemes under this Act.

NOTE 8 – GENERAL GOVERNMENT GRANTS

	2009/10 £'000	Restated 2008/09 £'000
Revenue Support Grant	1,635	1,030
Local Authority Business Growth Incentive	51	140
Area Based Grant	198	118
Housing and Planning Delivery Grant	419	269
Total	2,303	1,557

NOTE 9 – MEMBERS' ALLOWANCES

The total of Members' allowances paid in the year amounted to £306,000 (£301,000 in 2008/09).

NOTE 10 – OFFICERS EMOLUMENTS

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 was as follows:

Remuneration Band	2009/10 No of employees	2008/09 No of employees
£ 50,000 to £ 54,999	-	1
£ 55,000 to £ 59,999	3	4
£ 60,000 to £ 64,999	5	3
£ 65,000 to £ 69,999	-	-
£ 70,000 to £ 74,999	-	-
£ 75,000 to £ 79,999	-	-
£ 80,000 to £ 84,999	2	2
£ 85,000 to £ 89,999	-	-
£ 90,000 to £ 94,999	-	-
£ 95,000 to £ 99,999	-	-
£100,000 to £104,999	-	-
£105,000 to £109,999	-	-
£110,000 to £114,999	-	-
£115,000 to £119,999	1	1

NOTE 10 – SENIOR OFFICERS EMOLUMENTS 2009/10

The following tables set out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year.

Post Holder	Salary (Including fees and allowances)	Expense Allowances	Benefits in Kind (e.g. Car allowances)	Total Remuneration Excluding Pension Contributions 2009/10	Pension Contributions	Total Remuneration including pension contributions 2009/10
	£	£	£	£	£	£
Chief Executive	109,512	1,174	6,315	117,001	22,888	139,889
Corporate Director	82,808	369	-	83,177	15,882	99,059
Corporate Director	76,413	837	6,021	83,271	15,970	99,241
Monitoring Officer	58,617	-	753	59,370	11,830	71,200
Section 151 Officer	61,022	-	672	61,694	11,830	73,524

NOTE 10 – SENIOR OFFICERS EMOLUMENTS 2008/09

Post Holder	Salary (Including fees and allowances)	Expense Allowances	Benefits in Kind (e.g. Car allowances)	Total Remuneration Excluding Pension Contributions 2008/09	Pension Contributions	Total Remuneration including pension contributions 2008/09
	£	£	£	£	£	£
Chief Executive	109,512	685	6,204	116,401	22,888	139,289
Corporate Director	82,567	351	-	82,918	15,920	98,838
Corporate Director	76,413	608	5,927	82,948	15,970	98,918
Monitoring Officer	58,542	258	665	59,465	11,830	71,295
Section 151 Officer	61,022	13	574	61,609	11,830	73,439

NOTE 11 – RELATED PARTY TRANSACTIONS

The Code of Practice on Local Authority Accounting 1998 introduced a disclosure requirement for related party transactions. The following related parties have been identified which may have the potential to be controlled/influenced or to exert control/influence on the activities of the council:-

Central Government: has influence over the Council, and is able to restrict action by specifying transactions and relevant terms. Examples of significant transactions with Government Departments are set out below:

	2009/10 £'000	2008/09 £'000
Revenue Support Grant	(1,635)	(1,030)
NNDR (Redistributed)	(7,084)	(7,403)
Rent Allowance Subsidy	(8,580)	(4,575)
Rent Rebates Subsidy	(7,172)	(6,824)
Council Tax Benefit Subsidy	(5,721)	(4,780)
Housing Subsidy – Paid to CLG	3,363	3,562

Members/Officers: Members are responsible for the direct control of the policies of the Council. During 2009/10 the Council sent a letter to all Members, Chief Officers, Heads of Service and budget managers requesting disclosure of any 'related party transactions'. No material transactions were identified for disclosure from the responses received. A review of the members' register of interests did not identify any material transactions. Declarations of non-material transactions related to the administration of grants through membership of specific bodies.

Pension Fund: The administering authority, Lincolnshire County Council, has direct control of the Fund.

Other Bodies: Transactions with other bodies levying demands which are included in the Council's expenditure for 2009/10 were as follows:-

	2009/10 £'000	2008/09 £'000
Black Sluice Drainage Board	118	115
Kings Lynn Internal Drainage Board	22	21
North Level Internal Drainage Board	115	115
South Holland Internal Drainage Board	1,093	1,055
Welland and Deepings Internal Drainage Board	764	742
Parish Councils	547	524
Total	2,659	2,572

South Holland Local Housing Community Interest Company:

Major transactions between the Council and the Company for 2009/10 were as follows:

	2009/10 £'000
Grant towards the construction of six new affordable homes	140
'Working Capital' Loan	20
Gift of two areas of Land at Deeping St Nicholas and Tydd St Mary, with a market value of £93,000 at the time of disposal	

NOTE 12 – AUDIT FEES

In 2009/10 South Holland District Council incurred the following fees relating to external audit and inspection

	2009/10 £'000	2008/09 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	105	99
Fees payable to the Audit Commission in respect of statutory inspection	-	29
Fees payable to the Audit Commission for the certification of grant claims and returns	18	15
Fees payable in respect of other services provided by the appointed auditor	-	-
TOTAL	123	143

NOTE 13 – SIGNIFICANCE OF THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Accounts shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed rather than when the fixed assets are consumed
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the Capital Receipts Reserve balance rather than council tax.
- Retirement benefits are charged as amounts become payable to the pension fund rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The reconciliation statement on page 43 summaries the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

NOTE 14 – RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

	2009/10 £'000	2008/09 £'000
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
Amortisation of Intangible fixed assets	(107)	(65)
Depreciation and impairment of fixed assets	(5,760)	(26,748)
Excess of depreciation charged to HRA services over the Major Repairs Allowance element of Housing Subsidy	354	(202)
Government Grants Deferred amortisation	81	486
Revenue Expenditure Funded from Capital under Statute	(107)	(165)
Net gain on sale of fixed assets	58	229
Net charges made for retirement benefits in accordance with FRS 17	(2,051)	(1,989)
Collection Fund Adjustment Account	(16)	(19)
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year		
Minimum revenue provision for capital financing	18	19
Capital expenditure charged in year to the General Fund Balance	1,339	784
Transfer from Capital Receipts Reserve to meet payments to the Housing Capital Receipts Pool	(317)	(165)
Employer's contributions payable to the Lincolnshire County Council Pension Fund	1,640	1,679
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
Housing Revenue Account balance	(453)	472
Net transfer to or from earmarked reserves	614	(43)
Net additional amount required to be credited to the General Fund Balance for the year	(4,707)	(25,727)

NOTE 15 – MOVEMENT ON FIXED ASSETS – OPERATIONAL ASSETS

	Council Dwellings	Other Land and Buildings	Vehicles, Plant etc	Infra-structure	Community Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 April 2009	167,125	20,958	2,691	1,667	691	193,132
Adjustments*	-	45	-	-	-	45
Additions	3,948	547	379	107	-	4,981
Disposals/Write Offs	(285)	-	(588)	-	-	(873)
Reclassifications	-	(15)	-	-	-	(15)
Revaluations/Impairments	117	233	-	-	-	350
31 March 2010	170,905	21,768	2,482	1,774	691	197,620
Depreciation and Impairments						
At 1 April 2009	-	-	(2,140)	(159)	-	(2,299)
Adjustments*	-	(3)	-	-	-	(3)
Charge for 2009/10	(1,954)	(700)	(162)	(142)	(25)	(2,983)
Disposals/Write Offs	4	-	588	-	-	592
Revaluations/Impairments	(2,568)	339	-	-	-	(2,229)
31 March 2010	(4,518)	(364)	(1,714)	(301)	(25)	(6,922)
Balance Sheet value at 31 March 2010	166,387	21,404	768	1,473	666	190,698
Balance Sheet value at 31 March 2009	167,125	20,958	551	1,508	691	190,833

* Adjustments mainly to bring two small assets into account from 1 April 2009

NOTE 15 – MOVEMENT ON FIXED ASSETS – NON OPERATIONAL ASSETS

	Surplus Assets	Assets under construction	Investment Properties	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2009	759	1,013	217	1,989
Additions	-	2,436	49	2,485
Disposals/Write offs	(228)	(36)	-	(264)
Reclassifications	(196)	211	-	15
Revaluations/Impairments	65	-	(13)	52
31 March 2010	400	3,624	253	4,277
Depreciation and Impairments				
At 1 April 2009	-	-	-	-
Charge for 2009/10	(6)	-	-	(6)
Disposals/Write Offs	-	-	-	-
Reclassifications	-	-	-	-
Revaluations	6	(110)	(25)	(129)
31 March 2010	-	(110)	(25)	(135)
Balance Sheet amount at 31 March 2010	400	3,514	228	4,142
Balance Sheet amount at 31 March 2009	759	1,013	217	1,989

NOTE 16 – CAPITAL EXPENDITURE AND FINANCING

	2009/10 £'000	2008/09 £'000
Capital Investment		
Intangible Assets	56	137
Operational Assets	4,981	3,443
Non-Operational Assets	2,485	407
Revenue Expenditure Funded from Capital under Statute	1,370	380
Sources of Finance		
Major Repairs Allowance	(2,489)	(2,386)
Capital Receipts	(976)	(106)
Direct Revenue Financing	(1,339)	(784)
Government Grants and Other Contributions	(3,582)	(585)
Capital Expenditure met from Borrowing	(506)	(506)

NOTE 17 – COMMITMENTS UNDER CAPITAL CONTRACTS

The following table shows commitments still outstanding against capital contracts as at 31 March 2010. It is expected that all commitments will have been paid by March 2011.

	£'000
Contractual commitments	
Council House Improvements	1,720
Gypsy Site, Holbeach	95
Red Lion Street Spalding – Food Heritage Centre	4,465
Crease Drove – Industrial Units	281
Total	6,561

NOTE 18 – INFORMATION ON NUMBER OF ASSETS HELD

	31 March 2010	31 March 2009
Operational Assets		
Council Dwellings (HRA)	3,900	3,906
Council Dwellings (Shared Ownership)	10	10
Council Dwellings (General Fund)	23	23
Arts Centre	1	1
Sports Facilities	2	2
Public Conveniences*	11	11
Cemetery Chapels	2	2
Mortuary	1	1
Car Parks*	15	15
Bus Station	1	1
Depots	2	2
Administration Buildings	1	1
Commercial and Industrial Properties	47	47
Playing Field	1	1
Non-Operational Assets		
Investment Assets	4	4
Surplus Assets*	7	11
Assets under Construction	4	2
Infrastructure Assets		
Sewerage Sites*	55	55
Other Land	4	3
Community Assets		
Parks, Open Spaces and Play Areas	116	110
Allotments	2	2

* Some minor changes have been made to the comparative figures at 31 March 2009 following a review of the Councils' asset register.

NOTE 19 – LEASES – DISCLOSURE BY LESSEES

Disclosure in relation to operating leases

Refuse and Recycling Vehicles-

The authority uses refuse collection vehicles, tipper trucks, vans and mechanical road sweepers in the delivery of its refuse and recycling service which are financed under the terms of an operating lease. The amount paid under this arrangement in 2009/10 was £629,000 (2008/09 £546,000).

The current commercial vehicle lease contract runs from 1 August 2008 to 31 July 2014. The contract includes for the provision of vehicles and maintenance.

Construction Service Vehicles-

The authority has a number of vehicles that are used in the delivery of its housing repairs service which are financed under the terms of an operating lease. The

amount paid under this arrangement in 2009/10 was £153,000 (2008/09 £113,000).

Grounds Maintenance Vehicles-

The authority uses equipment and vehicles in the delivery of its grounds maintenance service which are financed under the terms of an operating lease. The amount paid under this arrangement in 2009/10 was £97,000 (2008/09 £85,000). The current lease arrangement ends in 2011 although they are currently being re-negotiated.

Other Services-

The authority has a small number of other leases, which include photocopiers. Payments of £22,000 were made in 2009/10 (£33,000 2008/09).

Commitments under Operating Leases –

At 31 March 2010 the Council is committed to making payments of £3,208,000 under operating leases, comprising the following elements:

	Payments	Payments to be made	Leases Expiring	
	2009/10	2010/11	2010/11	2011/12 to 2014/15
	£'000	£'000	£'000	£'000
Refuse and Recycling	629	626	-	2,714
Construction Services	153	124	-	453
Grounds Maintenance	97	32	32	-
Other Services	22	9	9	-
TOTAL	901	791	41	3,167

There are no leases due to expire beyond 2014/15.

NOTE 20 – LEASES – DISCLOSURE BY LESSORS

The Authority holds assets which are leased to commercial entities and other Public Bodies. These leases include minor public buildings and small parcels of land. The estimated value of Council assets leased by third parties in 2009/10 was £964,000 with accumulated depreciation amounting to £55,000. Rental income to the Council is approximately £12,000 per annum. These leases are all operating leases.

NOTE 21 – ASSETS RECOGNISED UNDER PFI

The Authority does not hold any assets recognised under PFI.

NOTE 22 – VALUATION OF FIXED ASSETS

The freehold and leasehold properties which comprise the authority's property portfolio are valued by external valuers.

Housing Fixed Assets were revalued at 1 April 2010 by Countrywide Surveyors in accordance with DETR Resource Accounting guidance. The basis of valuation for non-dwelling operational property is existing use value. The basis of valuation for the Authority's Council Dwellings is existing use value for Social Housing, other than for 104 non traditional built dwellings which have been valued on an investment basis. The basis for non-operational property is open market value. The basis for intangible assets is fair market value. HRA Infrastructure assets had previously been revalued, however this practice was incorrect and therefore these have reverted back to being held at historic cost.

Rolling programme of Revaluation of Fixed Assets

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. The valuations are carried out annually on a desktop basis with a full revaluation every 5 years.

The basis for valuation is set out in the statement of accounting policies.

Fixed Assets £000's	Valued at Historic Cost			Valued at Current Value		
	2010 £'000	2009 £'000	2008 £'000	2010 £'000	2009 £'000	2008 £'000
Operational Assets						
Other Land & Buildings				21,404	20,958	17,032
HRA Council Dwellings				166,387	167,125	194,937
Vehicles, Plant and Equipment	768	551	569			
Intangible Assets	140	198	257			
Infrastructure Assets	1,473	258	243		1,250	1,300
Community Assets	666	691	671			
Non-Operational Assets						
Surplus Assets	400				759	1,270
Investment Properties	228				217	1,684
Assets under Construction	3,514				1,013	-

Impairment

The following table shows the impairment values for the year. There were no impairments other than those that were attributable to a general fall in prices.

Impairments	2009/10 £'000	2009/10 £'000	2009/10 £'000
	Charged to Revaluation Reserve	Charged to Income & Expenditure Account	Total
HRA Council Dwellings	-	4,518	4,518
Non Operational Assets	52	135	187
Other Land & Buildings	86	269	355
Total	138	4,922	5,060

NOTE 23 – INFORMATION ABOUT DEPRECIATION METHODOLOGIES

Depreciation methods

All fixed assets are depreciated on a straight line basis over the period of their useful economic life. Land and Building elements for each asset is separated, and as land has an unlimited life it is not depreciated. Depreciation on newly acquired assets starts from the year following acquisition unless the value of the acquisition is considered material to the Council's accounts. Residual values are only taken into consideration on vehicles.

Useful lives

The useful economic life of a fixed asset is the period over which it is expected to derive an economic benefit from the asset. For equipment and vehicles, economic lives are determined by the relevant service manager. For land and buildings the remaining economic lives are reviewed by the valuer as part of the five yearly valuation cycle. Examples of initial economic lives are given below:

Garage Sites 10 years, Council Houses 60 years, Housing Community Facilities 60 years, Air Quality Equipment 20 years, Car Parks 10-15 years, Computer Equipment/Software 5 years, Vehicles 5 years, Depots 15 years, Other Equipment 5-10 years, Footway Lighting 10 years, Industrial Units 20 years, Pavilions 15 years, Public Conveniences 20 years, Other Public Buildings 20 years.

Revaluation

The value at which assets are included in the balance sheet is reviewed at the start of each year, and where it is believed that any asset values have changed materially, the valuations are adjusted accordingly. A full revaluation of General Fund assets were carried out as at 1 April 2009 with a desktop review of being carried out at 31 March 2010. Housing Assets were revalued at 1 April 2010.

NOTE 24 – CHANGES IN DEPRECIATION METHODS

The Authority has changed the method of calculating depreciation for council dwellings by basing the charge on their opening balance as at 1 April and their remaining useful lives. Depreciation had previously been based on the Major Repairs Allowance as a proxy for depreciation. This new method is consistent with how depreciation charges are calculated on the Councils remaining assets. In

addition, depreciation charges for assets acquired during the year are not charged until the following year other than for any material acquisitions. In previous years, a half year depreciation charge had been made in the year of acquisition.

NOTE 25 – INTANGIBLE FIXED ASSETS

Intangible assets exist where expenditure has been incurred yet no tangible asset has resulted, an example being software licenses.

	Total £'000
Original Cost	536
Amortisations to 1 April 2009	(338)
Balance at 1 April 2009	198
Expenditure in Year	56
Written off to revenue in year	(114)
Balance at 31 March 2010	140

NOTE 26 – CHANGES IN AMORTISATION METHODS FOR INTANGIBLE FIXED ASSETS

There have been no changes to the Authorities amortisation policy.

NOTE 27 – ANALYSIS OF NET ASSETS EMPLOYED

	2009/10 £'000	2008/09 £'000
General Fund	3,880	18,534
HRA	153,834	165,700
Trading Operations*	5,307	-
Total	163,021	184,234

*Trading Operations for 2008/09 were included within the General Fund net assets.

NOTE 28 – LONG TERM DEBTORS

	2009/10 £'000	2008/09 £'000
Opening Balance	264	197
Advances during the year	60	196
Repayments during the year	(84)	(129)
Adjustment	5	-
Closing Balance	245	264
The main long term debtors are:		
Mortgages on Council House Sales	16	16
Car Loans to Staff *	152	190
Other Loans to Staff	4	4
Spalding Town Husbands	53	54
South Holland Homes	20	-
Total	245	264

* Car Loans to staff and the Loan to the Housing Company do not attract a market rate of interest. De minimis principles have been applied to these “soft loans” and the accounts have not been amended to reflect a fair value.

NOTE 29 – CURRENT ASSETS AND LIABILITIES

Amounts falling due within one year

DEBTORS	2009/10 £'000			2008/09 £'000		
	Gross	Provision for Bad Debts	Net	Gross	Provision for Bad Debts	Net
Government Departments	1,169	-	1,169	660	-	660
Precepting Authorities	486	-	486	176	-	176
Other Local Authorities	131	-	131	-	-	-
Housing Rents	319	(137)	182	324	(133)	191
Value Added Tax	548	-	548	168	-	168
Sundry Debtors	886	(359)	527	1,061	(172)	889
Payments in Advance	43	-	43	34	-	34
Capital Debtors	583	-	583	425	-	425
Council Taxpayers	150	(22)	128	129	(28)	101
Total	4,315	(518)	3,797	2,977	(333)	2,644

CREDITORS	2009/10 £'000	2008/09 £'000
Government Departments	845	1,867
Other Local Authorities	396	174
Sundry Creditors	1,898	1,419
Receipts in Advance	1,638	196
Council Taxpayers	88	89
Housing Rents	32	39
Total	4,897	3,784

NOTE 30 – INTEREST IN COMPANIES

South Holland Local Housing Community Interest Company

The Council is the sole shareholder of South Holland Local Housing Community Interest Company and as such the company is a wholly owned subsidiary. The company was established on 17 April 2008 for the purpose of accessing social housing grant from the Homes and Communities Agency in order to provide affordable and social housing for the benefit of the local community.

Although formed during 2008/09 the Company remained dormant until 2009/10. The accounts for the company for 2009/10 have been consolidated into the Group Accounts of the Council. Although the value of transactions for 2009/10 is small, it is envisaged that the company will grow over the coming years. Further information is included within the notes to the group accounts.

The Council's liability in meeting any deficits of the company is limited to the unpaid share capital (the share capital of £100 is fully paid up). The Council did not receive any dividends from its shareholding in 2009/10.

Retained Surplus / Deficit

For 2009/10 the company returned a loss of £12,710. This is shown in the Group Income and Expenditure Account.

Assets and Liabilities

At 31 March 2010, the company held fixed and current assets as follows: -

	2009/10
	£
Tangible Assets	178,563
Cash at Bank	345,280
Total	523,843

The accounts show current liabilities (creditors falling due within one year) of £76,203, creditors (amount falling due after one year) of £20,000 and deferred income of £340,250. This results in net assets of £87,390.

Indebtedness

At the 31 March 2010 an amount of £20,000 is owed by the company to the Council. This loan, provided as working capital, is due for repayment in April 2013.

Further information about the accounts of South Holland Local Housing Community Interest Company is available from the Company Secretary, Mr. M Stinson, Council Offices, Priory Road, Spalding, Lincs, PE11 2XE.

Food Heritage Centre Community Interest Company

This company was formed on 22 June 2009 for the purpose of providing starter unit accommodation for the benefit of the local business community, and the provision of training facilities for the wider community.

For 2009/10, there are no financial transactions to consolidate into the Council's accounts. It is intended that once development work at Red Lion Street is completed the company will become operational.

The Council currently has 100% of the shares. It is expected however that this will change in the coming months, although no decision has yet been made as to the percentage holding that will be retained by South Holland District Council.

The Council has not contributed any revenue resources to the company during 2009/10. South Holland District Council is the 'accountable' body with responsibility for the delivery of the capital project, which has an estimated scheme value of £6.5m. The major element of the capital investment is being financed from external sources with the Council's contribution being limited to £500,000 from funds received as part of a S106 planning agreement. The project is expected to be completed during 2010/11.

Further information about the accounts of Food Heritage Centre Community Interest Company is available from the Company Secretary, Mr. M Stinson, Council Offices, Priory Road, Spalding, Lincs, PE11 2XE.

Trusts

The Council is a custodian for a number of trusts. Details of these are contained at Note 41.

NOTE 31 – FINANCIAL INSTRUMENTS

The Council is debt free at 31 March 2010 and as a result has not included any disclosure related to borrowing.

Financial Instrument Balances

The investments disclosed in the Balance Sheet are made up of the following categories of financial instruments.

	Long-term		Current	
	31 Mar 2010 £'000	31 Mar 2009 £'000	31 Mar 2010 £'000	31 Mar 2009 £'000
Loans and receivables	-	-	11,808	13,778
Total Investments	-	-	11,808	13,778

Financial Instruments Gain/Losses

The gains and losses recognised in the Income and Expenditure Account in relation to financial instruments are made up as follows.

2009/10	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Available-for-sale assets £'000	£'000
Interest Income				
Investment Interest	-	(261)	-	(261)
Interest on VAT refund	-	(160)	-	(160)
Net gain/(loss) for the year	-	(421)	-	(421)

2008/09	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Available-for-sale assets £'000	£'000
Interest Income				
	-	(857)	-	(857)
Net gain/(loss) for the year	-	(857)	-	(857)

Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in 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 instruments, using the following assumptions:

- Estimated ranges of interest rates at 31 March 2010 of 0.25% to 0.75% for other loans receivable and payable
- No early repayment or impairment is recognised
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values calculated are as follows:

	31 March 2010		31 March 2009	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Total Financial liabilities	2,512	2,512	1,615	1,615

Financial Liabilities represent trade creditors. Fair value is taken to be invoiced value.

	31 March 2010		31 March 2009	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Money Market Loans less than 1 year	11,808	11,823	13,778	13,797
Trade Debtors	1,580	1,580	1,520	1,520
Total loans and receivables	13,388	13,403	15,298	15,317

The fair value is higher than the carrying amount because the authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the balance sheet date.

The valuation of investments has been provided by Sector, the Council's Treasury Management advisors, using the Net Present Value approach which provides an estimate of the value of payments in the future stated in today's terms. The discount rate used is equal to the current rate in relation to the same instrument from a comparable lender. The rates used were obtained by Sector from the market on 31st March 2010, using bid prices where applicable.

Disclosure of nature and extent of risks arising from Financial Instruments

The authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that the other parties might fail to pay amounts due to the authority
- Liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements

The authority's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the resources available to fund services. The procedures for risk management are set out through a legal framework which requires the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management Code of Practice and investment guidance. The Council approves its Treasury Management and Investment Strategy annually.

The policy is applied by a central treasury team. The council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash through Treasury Management Practices which are reviewed regularly.

Credit Risk

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

This risk is minimised through the Annual Investment Strategy. The Council uses Sector's credit rating methodology to establish its counterparty list and the maximum term for investments. This uses credit ratings from all credit rating agencies and includes sovereign credit ratings and Credit Default Swap (CDS) overlay information. Deposits are not made with financial institutions unless they meet identified minimum credit criteria. We have a 2 tier limit to reflect the creditworthiness of an institution. This would give a limit of £3,000,000 for institutions with a long-term rating of AA- or better, and reducing the limit to £2,000,000 for those with a long-term rating of A or A+. Where institutions reside within a group the group limit will be the same as the creditworthiness of the institutions individual limits.

The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2010	Historical experience of default	Adjustment for market conditions at 31 March 2010	Estimated maximum exposure to default	Estimated maximum exposure at 31 March 2009
	£'000	%	%	£'000	£'000
Deposits with banks and financial institutions					
AAA rated counterparties	2,001	-	-	-	
AA rated counterparties	9,822	-	-	-	
A rated counterparties	-	-	-	-	
Other Counterparties	-	-	-	-	
Bonds – AAA Rates	-	-	-	-	
Total debtors	3,797	11.6	11.6	498	668
Total	15,620				

The Council's Investments at the 31 March 2010 were all held in UK Institutions. The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for customers. The past due amount can be analysed by age as follows:

	31 March 2010 £'000	31 March 2009 £'000
Less than three months	1,824	831
Three to six months	1,349	623
Six months to one year	230	1031
More than one year	912	492
Total	4,315	2,977

We have reviewed the level of bad provisions in light of the current economic climate. The level of provision at the balance sheet date has increased by £185,000.

Liquidity Risk

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the Public Works Loans Board 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 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 reports), as well as through cash flow management procedures required by the Code of Practice.

Market Risk – there are three type of market risk as shown below:

Interest Rate Risk – The Council is exposed to interest rate movements on its 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:

- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- Investments at fixed rates – the fair value of the assets will fall.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council’s prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central treasury team 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.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs.

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

	£'000
Increase in interest receivable on investments	(193)
Impact on Income and Expenditure Account	(193)
Share of overall impact credited to the HRA	(19)

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 invest in instruments with this type of risk.

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

NOTE 32 – LONG TERM BORROWING

The Authority does not hold long term borrowing.

NOTE 33 – CAPITAL GRANTS AND CONTRIBUTIONS

	Contributions £'000	Grants £'000	Total £'000
Opening Balance	3,167	2,350	5,517
Add			
In Year Contributions	2,546	621	3,167
Less			
Applied Contributions	(2,265)	(1,317)	(3,582)
Transferred to Receipts in Advance*	(1,186)	(171)	(1,357)
Closing Balance	2,262	1,483	3,745

* Some S106 contributions previously included here have now been transferred to receipts in advance on the balance sheet, since repayment is required if sums are not spent.

NOTE 34 – SECTION 106

Section 106 receipts are monies paid to the Council by developers as a result of the granting of planning permission where works are required to be carried out or new facilities provided as a result of that permission (e.g. affordable housing contribution links to a new housing development). The sums are restricted to being spent only in accordance with the agreement concluded with the developer. The major balances of section 106 receipts held by the Council during the year were as follows:

S106 Receipts	31 March 2009 £'000	Income £'000	Expenditure £'000	31 March 2010 £'000
Economic Development	2,266	-	(531)	1,735
Transport	65	-	-	65
Affordable Housing	240	39	(143)	136
Open Spaces	73	-	(28)	45
Total	2,644	39	(702)	1,981

NOTE 35 – INSURANCE PROVISIONS

The Authority does not hold any significant insurance provisions at 31 March 2010 however the Council does maintain an Insurance Reserve which has a balance of £230,000.

NOTE 36 – PROVISIONS

The Authority no longer holds any provisions other than bad debt provisions which are disclosed in Note 29.

NOTE 37 – RESERVES

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

	Balance 1 April 2009 £'000	Net Movement in Year £'000	Balance 31 March 2010 £'000	Purpose of Reserve
Revaluation Reserve	8,087	2,566	10,653	Store of gains on revaluation of fixed assets not yet realised through sales (see below)
Capital Adjustment Account	181,446	(3,330)	178,116	Store of capital resources set aside to meet past expenditure (see below)
Capital Receipts Reserve	3,345	(691)	2,654	Proceeds of fixed asset sales available to meet future capital expenditure (see below)
Deferred Capital Receipts	69	(1)	68	
Pension Reserve	(15,845)	(20,448)	(36,293)	Balancing account to allow inclusion of Pension liability in the Balance Sheet (see note 43)
Collection Fund Adjustment Account	(14)	(16)	(30)	
Housing Revenue Account	1,848	(453)	1,395	Resources available to meet future running costs for council houses
Major Repairs Reserve	477	21	498	Resources available to meet capital investment in council dwellings
General Fund	1,734	178	1,912	Resources available to meet future running costs for non- HRA services
Earmarked Reserves	3,087	614	3,701	See below for full analysis
Total	184,234	(21,560)	162,674	

Capital Adjustment Account	2009/10 £'000
Opening Balance	181,446
Amortisation of Intangible Assets	(114)
Depreciation and Impairment of Fixed Assets	(7,907)
Depreciation transfer from Revaluation Reserve	239
Statutory Provision for the repayment of debt	18
Government grants deferred amortisation	81
Balance of Revenue Expenditure Financed from Capital under Statute	(107)
Financing of Capital Expenditure	
Capital Receipts	976
Direct Revenue Financing	1,339
Major Repairs Reserve	2,489
Disposal of Fixed Assets	
Carrying Value of Assets sold in year	(442)
Write out of Revaluation gains on assets sold in year	110
Write out Revaluation gains on adjustments made in year to assets	(12)
Closing Balance	178,116

Revaluation Reserve	2009/10 £'000
Opening Balance	8,087
Adjustment to opening balance (following review of asset register)	12
Adjustment to bring two assets into account	42
Revaluation surpluses in year	3,102
Depreciation and Impairment of Fixed Assets	(138)
Depreciation transferred to Capital Adjustment Account	(239)
Transfer to Capital Adjustment Account of revaluation gains following sale of assets	(213)
Closing Balance	10,653

Capital Receipts Reserve	General Fund £'000	Housing £'000	Total £'000
Opening Balance	1,957	1,388	3,345
Receipts in year			
Sale of Assets	60	537	597
Repayment of Mortgages/Loans		5	5
Financing of Capital Expenditure	(714)	(262)	(976)
Pooling of Housing Capital Receipts	-	(317)	(317)
Closing Balance	1,303	1,351	2,654

Earmarked Reserves	Balance 1 April 2009 £'000	Movement in Year £'000	Balance 31 March 2010 £'000
Affordable Housing Reserve	24	49	73
Benefits Development Reserve	159	(130)	29
Capital Reserve	317	(73)	244
Climate Change Reserve	22	23	45
Community Cohesion Reserve	88	45	133
Community Development Reserve	81	(74)	7
Commuted Sums	42	(42)	-
Council Tax Reserve	224	72	296
Economic Development Reserve	32	(7)	25
Insurance Reserve	200	30	230
Organisational Development Reserve	1,045	410	1,455
Planning Reserve	220	367	587
Repairs and Renewals Reserve	612	(69)	543
Spalding Special Expenses	21	13	34
Total	3,087	614	3,701

NOTE 38 – CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no material contingent liabilities as at 31 March 2010.

The following has been identified as Contingent Assets:

The Council has reserved the right to make a claim in respect of VAT paid on off-street car parking charges should the result of the Isle of Wight Case be resolved in their favour.

NOTE 39 – AUTHORISATION OF ACCOUNTS FOR ISSUE

The Statement of Accounts was authorised for issue on the 23 June 2010. Any events occurring after this date will not have been recognised within the statements. The accounts were authorised for issue by the Head of Finance.

NOTE 40 – EVENTS AFTER THE BALANCE SHEET DATE

There are no adjusting events after the balance sheet date.

Non-adjusting events

On 28 July 2010, the Council approved the establishment of a Merged Services company, namely, Compass Point Business Services (East Coast) Limited as a trading vehicle delivering services for IT, Finance, Revenues and Benefits, Customer Services and Human Resources for both South Holland District Council and East Lindsey District Council. The Company began trading on the 1 August 2010 with the objective to deliver quality services whilst achieving significant savings for both authorities.

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of the Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting event. It is estimated that this change will reduce the value of an average employer's FRS17 liabilities in the Fund by around 6-8%.

NOTE 41 – TRUST FUNDS

The Council is custodian trustee for:

- IVO Day Care Centre
The Council holds and invests £10,000 on behalf of the trust. This is not held on the Councils Balance Sheet.
- Weston St Mary's Village Hall
The Council is a custodian trustee for the village hall. It has no liability for debts and is not responsible for the management of the trust property.
- Ayscoughfee Hall and Gardens
The Council, as trustee, holds the deeds on behalf of the people of Spalding. It is a Registered Charity (515905).
- Sir Halley Stewart Playing Field. It is a Registered Charity (1084450).

Day to day running costs for Ayscoughfee Hall and Gardens and the Sir Halley Stewart Playing Field are included in the Council's Income and Expenditure Account.

Values placed on these assets, by an external RICS qualified Valuer, are Ayscoughfee Hall and Gardens £757,000, last revalued as at 1st April 2002 and Sir Halley Stewart Playing Field £155,000, last revalued as at 1st April 2004. These assets are not recorded within the Council's Balance Sheet. Both assets are to be revalued in March 2011.

Trust fund revenue account	Expenditure £'000	Income £'000	Net £'000
Ayscoughfee Hall & Gardens	405	(39)	366
Sir Halley Stewart Playing Field	31	(6)	25

NOTE 42 – AMOUNTS DUE TO OR FROM RELATED PARTIES

There are no matters to be disclosed.

NOTE 43 – RETIREMENT BENEFITS – FRS 17 DISCLOSURES

Participation in pension scheme

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in the following pension scheme:

The Local Government Pension Scheme for civilian employees, administered locally by Lincolnshire County Council – this is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Transactions relating to retirement benefits

We recognise the cost of retirement benefits in the Net 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 retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year.

Income and Expenditure Account	2009/10 £'000	2008/09 £'000
Net Cost of Services		
• current service cost	823	992
• past service costs	-	419
• Loss on Curtailments and Settlements	3	-
Net Operating Expenditure		
• interest cost	3,266	3,357
• expected return on assets in the scheme	(2,041)	(2,779)
Net Charge to the Income and Expenditure Account	2,051	1,989
Statement of Movement in the General Fund Balance	2009/10 £000's	2008/09 £000's
Reversal of net charges made for retirement benefits in accordance with FRS 17	(2,051)	(1,989)
Actual amount charged against the General Fund Balance for pensions in the year		
Employer's contributions payable to scheme	1,640	1,679

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £19,690,000 (£5,886,000

2008/09) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is a loss of £28,440,000.

Assets and liabilities in relation to retirement benefits

	2009/10 £'000	2008/09 £'000
Reconciliation of present value of the scheme liabilities:		
1 April	47,713	48,586
Current Service Cost	823	992
Interest Cost	3,266	3,357
Contributions by scheme participants	479	484
Actuarial gains and losses	27,011	(4,379)
Losses on Curtailments	3	-
Benefits paid	(2,076)	(1,746)
Past service costs	-	419
31 March	77,219	47,713
Reconciliation of fair value of the scheme assets:		
1 April	31,868	38,937
Expected rate of return	2,041	2,779
Actuarial gains and losses	6,974	(10,265)
Employer contributions	1,539	1,580
Contributions in respect of Unfunded Benefits	101	99
Contributions by scheme participants	479	484
Benefits paid	(2,076)	(1,746)
31 March	40,926	31,868

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

The actual return on scheme assets in the year was £9.360m. (2008/09 £7.327m negative return)

Scheme history

	2009/10 £'000	2008/09 £'000	2007/08 £'000	2006/07 £'000	2005/06 £'000
Present Value of liabilities	(77,219)	(47,713)	(48,586)	(53,809)	(53,920)
Fair value of assets	40,926	31,868	38,937	42,192	39,081
Deficit (Surplus) in the scheme	(36,293)	(15,845)	(9,649)	(11,617)	(14,839)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £35.9m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in an overall balance of £163.021m.

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary

The estimated employers' contributions payable in 2010/11 is £1,517,000.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The County Council Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31st March 2007.

The principal assumptions used in their calculations have been:

	2009/10	2008/09
Long-term expected rate of return on assets in the scheme:		
Equity Investments	7.8%	7.0%
Bonds	5.0%	5.6%
Property	5.8%	4.9%
Cash	4.8%	4.0%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	20.8 years	19.6 years
Women	24.1 years	22.5 years
Longevity at 65 for future pensioners:		
Men	22.3 years	20.7 years
Women	25.7 years	23.6 years
Rate of inflation	3.8%	3.1%
Rate of increase in salaries	5.3%	4.6%
Rate of increase in pensions	3.8%	3.1%
Rate for discounting scheme liabilities	5.5%	6.9%
Take-up of option to convert annual pension into retirement lump sum		
Membership prior to 1 April 2008	25.0%	25.0%
Membership post 1 April 2008	62.5%	62.5%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2010	31 March 2009
Equity Investments	70.0%	64.6%
Bonds	18.0%	20.9%
Property	11.0%	13.7%
Cash	1.0%	0.8%

History of experience gains and losses

The actuarial gains identified as movements on the Pension Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010.

	2009/10 %	2008/09 %	2007/08 %	2006/07 %	2005/06 %
Difference between the expected and actual return on assets	17.0	(32.2)	(16.9)	0.3	13.4
Experience gains and losses on liabilities	-	-	0.6	0.2	-

NOTE 44 – NOTES TO THE CASH FLOW STATEMENT

Reconciliation of net surplus/deficit on the Income and Expenditure Account to the revenue activities net cash flow in the Statement	2009/10 £'000	Restated 2008/09 £'000
Deficit for the year on the Income and Expenditure Account	4,529	26,086
Adjustment for non-cash items		
Depreciation and Impairment of Fixed Assets	(8,021)	(29,081)
Government grants deferred amortisation	81	486
Grants funding Revenue Expenditure Funded from Capital Under Statute written off during the year	1,262	231
FRS 17 Pensions- Cash Adjustment	(411)	(310)
Items included elsewhere within the Cash Flow Statement		
Investment Income	421	762
Net gain on the sale of fixed assets	58	229
Accruals adjustment		
(Increase)/Decrease in Stocks	12	(12)
(Increase)/Decrease in Debtors	(484)	540
Increase/(Decrease) in Creditors	(2,183)	(4)
Adjusted Receipts in Advance at 1 April 2009	1,357	-
Other Non Cash Adjustments	-	122
Net Cash Flow from operating Activities	(3,379)	(951)

Analysis of Net Debt	Cash £'000	Short Term Investments £'000	Major Preceptors and NNDR £'000	Total £'000
Balance at 1 April 2009	714	13,778	(1,371)	13,121
Accrued Interest at 31 March 2009	-	(417)	-	(417)
Other Cash flows in year	(667)	(1,586)	3,026	773
Other Non Cash Changes	-	33	-	33
Balance at 31 March 2010	47	11,808	1,655	13,510

Reconciliation of changes in cash to movement in net debt	2009/10 £'000	2008/09 £'000
(Decrease)/Increase in cash in year	(667)	336
Cash Inflow/(Outflow) from management of liquid resources	1,023	1,869
Change in net debt resulting from cash flows	356	2,205
Interest accrued at year end on short term investments	33	417
Net Debt Brought Forward	13,121	10,499
Net Debt Carried Forward	13,510	13,121

Analysis of changes in cash and liquid resources during the year	2009/10 £'000	2008/09 £'000	Change in Year £'000
Short Term Investments	11,808	13,778	(1,970)
Amount relating to Council Tax and NNDR	1,655	(1,371)	3,026
Cash	47	714	(667)
Increase/(Decrease) in year	13,510	13,121	389

Explanation of Liquid Resources

The authority's liquid resources are short term cash investments.

An analysis of significant Government Grants in the cash flow	2009/10 £'000	2008/09 £'000
Revenue Support Grant	(1,635)	(1,030)
Contribution from Non Domestic Rate Pool	(7,084)	(7,403)
Department for Works and Pensions (DWP) Grants for Benefits	(21,473)	(16,179)
Other Government grants		
Housing and Planning Delivery Grant	(419)	(269)
Area Based Grant	(198)	(118)
Local Authority Business Growth Initiative	(51)	(140)
Housing Benefit Administration	(618)	(542)
Concessionary Fares	(181)	(177)
Supporting People Grant	(657)	(632)
Homelessness	(119)	(55)
Swimming Grant	(84)	-
Connecting Communities	(78)	-
Recycling	-	(76)
Capital Grants in Revenue Activities		
Disabled Facilities Grant	(197)	(194)
Capital Grants		
Regional Housing Capital Pot	(228)	(322)
Gypsy and Travellers	-	(1,753)
Swimming	(125)	(25)

SUPPLEMENTARY FINANCIAL STATEMENTS

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT

	2009/10 £'000	2008/09 £'000
Income		
Dwelling Rents	(11,511)	(11,163)
Non Dwelling Rents	(120)	(119)
Charges for Services & Facilities	(1,639)	(1,503)
Total Income	(13,270)	(12,785)
Expenditure		
Repairs and Maintenance	3,049	2,873
Supervision and Management	3,195	3,136
Rents, Rates, Taxes and Other Charges	27	20
Negative HRA Subsidy Payable (Note 7)	3,363	3,654
Depreciation (Note 3)	2,156	2,268
Impairment of Fixed Assets (Note 4)	4,518	24,511
Increase in Bad Debt Provision	60	49
Total Expenditure	16,368	36,511
Net Cost of HRA Services as included in the whole authority Income and Expenditure Account	3,098	23,726
HRA services share of Corporate and Democratic Core	325	193
HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services	-	77
Net Cost of HRA Services	3,423	23,996
(Gain) or loss on sale of HRA fixed assets	(26)	(110)
Interest Payable and similar charges	14	62
Interest and investment income	(27)	(134)
Pensions interest cost and expected return on pensions assets (Note 9)	221	107
(Surplus) / Deficit for the year on HRA services	3,605	23,921

**STATEMENT OF THE MOVEMENT ON THE HOUSING REVENUE
ACCOUNT BALANCE**

	2009/10 £'000	2008/09 £'000
(Surplus) / deficit for year on the HRA Income and Expenditure Account	3,605	23,921
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year (Note 10)	(3,152)	(24,393)
(Increase)/Decrease in the Housing Revenue Account Balance	453	(472)
Housing Revenue Account Balance brought forward	(1,848)	(1,376)
Housing Revenue Account Balance carried forward	(1,395)	(1,848)

NOTES TO THE HOUSING REVENUE ACCOUNT

NOTE 1 – HOUSING REVENUE ACCOUNT FIXED ASSETS

The prescribed basis of valuation for operational property is Existing Use Value for Social Housing (EUV-SH). This reflects the valuation for a property, if it were sold with sitting tenants paying rents at less than open market rents and enjoying tenants' rights including the Right to Buy. The EUV-SH is calculated by applying an adjustment factor to the Existing Use Value for Vacant Possession (EUV-VP). This adjustment measures the difference between market and local authority rents at a regional level, and is calculated based on the ratio of the local authority rents to private sector rents applicable for Housing Benefit at the Regional level. The adjustment percentage for the East Midlands is 50%.

This policy of applying a 50% reduction has not been applied to 104 non traditional built dwellings. For 2009/10 the valuation relating to these properties has been calculated on an investment valuation basis. This takes into consideration the current economic climate and difficulties in obtaining a mortgage on this type of dwelling.

Analysis of Housing Fixed Assets Net Book Value	At 31 March 2010		At 31 March 2009	
	EUV-SH £'000	EUV-VP £'000	EUV-SH £'000	EUV-VP £'000
Operational Assets				
Dwelling stock	166,387	327,577	167,125	334,250
Other Land and Buildings	1,296	n/a	1,150	n/a
Infrastructure – Housing Sewerage	1,199	n/a	1,250	n/a
Vehicles, Plant and Equipment	267	n/a	87	n/a
Non Operational Assets				
Land held for development	114	n/a	208	n/a
Intangible Fixed Assets				
	4	n/a	6	n/a
Total	169,267	327,577	169,826	334,250

NOTE 2 – HOUSING STOCK

The Council was responsible for managing 3,900 dwellings at 31 March 2010 (3,906 at 31 March 2009). The stock is analysed below using the property type and age criteria employed by the Department for Communities and Local Government. This figure excludes shared ownership properties (10 dwellings).

Analysis of Housing Stock at 31 March 2010					
	1 Bed	2 Bed	3 Bed	3+ Bed	Total
Low rise flats up to 2 storey	76	169	-	-	245
Medium rise flats of 3-5 storey	-	24	-	-	24
Houses and Bungalows	710	1,255	1,229	16	3,210
Non Traditional Dwellings	-	52	369	-	421
Total	786	1,500	1,598	16	3,900

NOTE 3 - DEPRECIATION

	2009/10 £'000	2008/09 £'000
Depreciation		
Dwelling Stock	1,954	2,066
Other Land and Buildings	59	57
Infrastructure - Housing Sewerage	110	116
Equipment	26	22
	2,149	2,261
Amortisation		
Intangible Assets	7	7
Total	2,156	2,268

NOTE 4 – IMPAIRMENT OF HOUSING FIXED ASSETS

The total value of impairments of £4.518m (£24.511m in 2008/09) for the year has been charged to the HRA Income and Expenditure Account. These impairments relate to the reduction in value as at 31 March 2010 on Council dwellings. The reduction in values reflects the current economic recession and market conditions. There were no impairments other than those relating to a general fall in prices.

NOTE 5 – HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE AND FINANCING

	2009/10 £'000	2008/09 £'000
Housing Capital Accrued Expenditure and Financing		
Expenditure		
Improvements and Enhancements to Council Dwellings	3,948	2,998
Improvements to Wastewater Treatments	60	55
Improvements to Sheltered Accommodation	98	78
Information Systems	20	18
Digital Aerials	191	-
Choice Based Lettings	-	11
Total	4,317	3,160
Financing		
Borrowing	506	506
Capital Receipts	262	43
Major Repairs Reserve	2,489	2,386
Direct Revenue Financing	1,000	215
External Contributions	60	10
Total	4,317	3,160

NOTE 6 – HOUSING REVENUE ACCOUNT CAPITAL RECEIPTS

	2009/10 £'000	2008/09 £'000
Housing Revenue Account Capital Receipts		
Usable Capital Receipts at 1 April	1,388	1,376
Right to buy sales in relation to dwellings	426	185
Mortgage repayments	5	2
Discounts on Right to buy repaid	-	35
Land Sales	117	-
Administration costs	(6)	(2)
Receipts used to finance capital expenditure	(262)	(43)
Receipts Pooling to CLG	(317)	(165)
Usable Capital Receipts at 31 March	1,351	1,388

NOTE 7 – HOUSING SUBSIDY

The Housing Revenue Account makes a subsidy payment to the Government. This payment is made up of a negative Housing Amount and results from the fact that income exceeds overall expenditure on the notional HRA, and is said to have a negative entitlement to subsidy. The total amount payable is made up of the following elements:

	2009/10 £'000	2008/09 £'000
Housing Element		
Prior year adjustments	6	110
Management and Maintenance Allowance	5,104	4,921
Major Repairs Allowance	2,100	2,066
Additional Major Repairs Allowance brought forward from 2010/11	410	
Charges for Capital	89	307
<u>Less</u>		
Assumed Rental Income	(11,071)	(11,057)
Assumed Interest on Receipts	(1)	(1)
Amount Payable	(3,363)	(3,654)

NOTE 8 – RENT ARREARS

The net rent arrears at 31 March 2010 amounted to £225,931 (£156,424 in 2008/09) and are analysed as follows:

	31 March 2010 £'000	31 March 2009 £'000
Rent Arrears Due From		
Current Tenants	108	37
Former Tenants	117	119
Garages	1	-
Total	226	156
These arrears include all charges due from tenants: rents, rates and other charges.		
Provision for doubtful debts	137	133

NOTE 9 – RETIREMENT BENEFITS

Note 43 to the Core Financial Statements provide a detailed explanation of the accounting requirements for pension costs.

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

	2009/10 £'000	2008/09 £'000
HRA Income and Expenditure Account		
Net Cost of Services		
Current Service Cost	141	184
Past Service Cost	-	77
Net Operating Cost		
Interest Cost	588	623
Expected Return on assets in the scheme	(367)	(516)
Net charge to the HRA Income and Expenditure Account	362	368
Statement of movement on the HRA balance		
Net charges made for retirement benefits in accordance with FRS 17	(362)	(368)
Actual amount charged against the HRA Balance for pensions in the year		
Employer's contributions payable to scheme	303	319

NOTE 10 –STATEMENT OF MOVEMENT ON THE HRA BALANCE

	2009/10 £'000	2008/09 £'000
Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the year		
Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements	(4,518)	(24,512)
Gain or loss on sale of HRA fixed assets	26	110
Net charges made for retirement benefits in accordance with FRS 17	(362)	(368)
Items not included in the HRA Income and Expenditure Account but included in the Movement on HRA Balance for the year		
Transfer to/(from) Major Repairs Reserve	354	(202)
Transfer to Earmarked Reserves	45	45
Employer's contributions payable to the Lincolnshire County Council Pension Fund and retirement benefits payable direct to pensioners	303	319
Capital Expenditure funded by the HRA	1,000	215
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(3,152)	(24,393)

NOTE 11 – MAJOR REPAIRS RESERVE

As part of the HRA Subsidy the Council receives resources to maintain the value of its housing stock. This is known as the Major Repairs Allowance (MRA) and is available to fund capital expenditure on HRA assets.

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

In 2008/09 the amount of depreciation charged was exactly equal to the MRA. In 2009/10 the amount of MRA exceeded the depreciation charge to the HRA.

Unspent MRA funds may be carried over from one year to the next.

	2009/10 £'000	2008/09 £'000
Balance at 1 April	477	797
Depreciation on Fixed Assets		
Dwellings	1,954	2,066
Other Assets	202	202
Transfer (to)/from Housing Revenue Account		
Depreciation on other fixed assets	(202)	(202)
Excess of MRA over depreciation on dwellings	556	-
Capital expenditure funded from MRA	(2,489)	(2,386)
Balance at 31 March	498	477

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

	2009/10 £'000	2008/09 £'000
Income		
Income from Council Tax (Note 1)	(33,555)	(32,879)
Transfers from General Fund Council Tax Benefit	(5,433)	(4,842)
Income collectable from Business Rate payers (Note 2)	(21,797)	(22,205)
Total Income	(60,785)	(59,926)
Expenditure		
Precepts and Demands		
Lincolnshire County Council	29,120	28,219
Lincolnshire Police Authority	4,875	4,578
South Holland District Council	5,031	4,826
Business Rates		
Payment to national pool	21,683	22,092
Allowance for costs of collection	114	113
Bad and Doubtful debts		
Write-offs	72	108
Provisions	(48)	65
Contributions		
Towards previous year's estimated Collection Fund surplus	60	72
Total Expenditure	60,907	60,073
(Surplus)/Deficit for the year	122	147
Fund Balance Brought Forward	112	(35)
Fund Balance Carried Forward	234	112

NOTES TO THE COLLECTION FUND

NOTE 1 – COUNCIL TAX

Council tax income derives from charges raised according to the value of residential properties that have been classified into eight Valuation Bands (A to H). Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Lincolnshire County Council, Lincolnshire Police Authority and South Holland District Council together with each Parish requirement. This is then divided by the Council Tax base i.e. the number of properties in each valuation band, converted to an equivalent number of band D dwellings and adjusted for discounts. The basic amount of Council Tax for a band D property including an average parish charge, £1,393.37 (2008/09 £1,362.28), is multiplied by the ratio specified for the particular band to give an individual amount due.

The Council Tax base was calculated as follows:

Band	No. of Chargeable homes	No. of chargeable homes after effect of discounts	Ratio	Band D equivalent dwellings
AA	28	26.00	5/9	14.4
A	13,952	12,524.85	6/9	8,349.9
B	7,906	7,295.70	7/9	5,674.4
C	9,229	8,902.10	8/9	7,913.0
D	3,773	3,625.70	9/9	3,625.7
E	1,631	1,570.35	11/9	1,919.3
F	338	323.90	13/9	467.9
G	93	86.80	15/9	144.7
H	6	5.50	18/9	11.0
Band D Equivalents				28,120.3
Allowance for non-collection (0.04%)				112.3
District Tax Base				28,008

NOTE 2 – BUSINESS RATES

Under the arrangements for Non-Domestic Rates, the Council collects rates for its area based on local rateable values (determined by the Valuation Office Agency, an executive agency of HM Revenue and Customs) multiplied by the multiplier (determined by the Government). For 2008/09 there are two multipliers, the small business non-domestic rating multiplier of 48.1p and the non-domestic rating multiplier of 48.5p. The total non-domestic rates due, less certain reliefs and deductions, is paid into a National Non-Domestic Rate Pool which is administered by the Government. The Government redistributes the sums paid back to local authorities' General Funds on the basis of a fixed amount per head of population.

The total Non-Domestic Rateable Value at 31 March 2010 was £50,858m (2009 £51.413m)

NOTE 3 – COLLECTION FUND SURPLUS

As at 31 March 2010 the Collection Fund shows a deficit of £234,000 (2008/09 deficit £112,000)

The balance on the Collection Fund is allocated as follows

	2009/10 £'000
Lincolnshire County Council	175
Lincolnshire Police Authority	29
South Holland District Council	30
Total	234

GROUP ACCOUNTS

GROUP INCOME AND EXPENDITURE ACCOUNT

	2009/10 Expenditure £'000	2009/10 Income £'000	2009/10 Net £'000
Central services to the public	7,243	(6,433)	810
Cultural, environmental, regulatory and planning services	11,455	(3,400)	8,055
Highways and transport services	843	(579)	264
Local authority housing (HRA)	16,368	(13,270)	3,098
Other housing services	17,769	(16,870)	899
Corporate and Democratic Core	2,034	(79)	1,955
Non Distributed Costs	3	-	3
South Holland Housing Company (Profit)/Loss	4	-	4
Net Cost of Services	55,719	(40,631)	15,088
Gain on the disposal of fixed assets			(151)
Precepts of local precepting authorities			2,659
Contribution of housing capital receipts to government pool			317
Interest and investment income			(421)
Pensions interest cost and expected return on pensions assets			1,225
Taxation of Group Entities			-
Net Operating Expenditure			18,717
Demand on the Collection Fund			(5,021)
General government grants			(2,303)
Non-domestic rates redistribution			(7,084)
Deficit for the Year			4,309

STATEMENT OF MOVEMENT ON GROUP BALANCES

	2009/10 £'000
Deficit for the year on the Income and Expenditure Account	4,309
Net Additional Amount required by statute or non-statutory proper practices to be debited or credited to the General Fund Balance for the Year	(4,474)
Revenue Reserves Balance at Start of Year	(1,734)
Revenue Reserves Balance at End of Year	(1,899)

RECONCILIATION OF THE SINGLE ENTITY SURPLUS OR DEFICIT FOR THE YEAR TO THE GROUP SURPLUS OR DEFICIT

	2009/10 £'000
Deficit for the year on the Authorities single entity Income and Expenditure Account	4,305
Add Deficit arising from other entities included in the group accounts	4
Group Account deficit for the year	4,309

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2009/10 £'000
Deficit for the year on the Income and Expenditure Account	4,309
Surplus arising on revaluation of fixed assets	(3,006)
Actuarial (gains) and losses on Pension Fund assets and liabilities	19,690
Total Recognised Gains and Losses for the year	20,993

GROUP BALANCE SHEET AS AT 31 MARCH 2010

	31 March 2010 £'000
Fixed Assets	
Intangible assets	140
Tangible fixed assets	
Operational Assets:	
Council Dwellings	166,387
Other land & buildings	21,576
Vehicles, plant & equipment	768
Infrastructure assets	1,473
Community assets	666
Non-operational assets:	
Surplus assets	400
Investment properties	228
Assets under construction	3,514
Total Fixed Assets	195,152
Long term debtors	225
Total Long Term Assets	195,377
Current Assets	
Stocks and work in progress	43
Debtors	3,797
Investments	11,808
Cash and bank	392
Total Current Assets	16,040
Current Liabilities	
Creditors	(4,973)
Total Current Liabilities	(4,973)
Total Assets less Current Liabilities	206,444
Government grants deferred	(3,311)
Capital grants and contributions	(3,946)
Liability related to defined benefit pension scheme	(35,946)
Total Assets less Liabilities	163,241

GROUP BALANCE SHEET AS AT 31 MARCH 2010 (CONTD)

	31 March 2010 £'000
Financed by:	
Revaluation Reserve	10,746
Capital Adjustment Account	178,256
Pensions Reserve	(35,946)
Capital Receipts Reserve	2,654
Deferred Capital Receipts	68
Collection Fund Adjustment Account	(30)
Major Repairs Reserve	498
General Fund Balance	1,903
Housing Revenue Account Balance	1,395
Earmarked Reserves	3,701
South Holland Community Interest Housing Company Revenue Reserve	(4)
Total Net Worth	163,241

NOTES TO THE GROUP ACCOUNTS

Group accounts have been prepared to include the financial transactions of South Holland Local Housing Community Interest Company. The Council has an additional subsidiary company, namely the Food Heritage Local Community Interest Company; there are no financial transactions relating to this company for 2009/10. The Council is a custodian for a number of trusts (see note 41 to the core financial statements). Transactions relating to these trusts are included within the Council's single entity Income and Expenditure Account. Fixed assets have been not included within the Council's single entity Balance Sheet for any of the trusts. The trusts have been excluded from the group accounts as the value of the transactions is considered not material.

1. South Holland Local Housing Community Interest Company

South Holland District Council set up a wholly owned subsidiary company, South Holland Local Housing Community Interest Company (SHLHCIC) on 17 April 2008 for the purpose of accessing social housing grant from the Homes and Communities Agency in order to provide affordable and social housing for the benefit of the local community.

There were no financial transactions during 2008/09 as the company was dormant and therefore this is the first year that the company accounts have been consolidated into the Council accounts.

Voting Rights

The Council controls the majority of the voting rights of the company.

Accounting Policies

The company accounting policies are in line with the Council's accounting policies.

Post Balance Sheet Events

On 21 May 2010 the Council transferred eight vacant Housing Revenue Account properties to the company for its next development phase. These properties are to be refurbished and sold on the open market, with proceeds being reinvested for the provision of further affordable housing by the company.

Retained Surplus / Deficit

For 2009/10 the housing company made a loss of £12,710. However, after removing inter-organisation transactions, this loss is reduced to £3,310. This is shown on the Group Income and Expenditure Account. The Council's liability in respect of meeting any deficits is limited to the unpaid share capital (the share capital of £100 is fully paid up).

Assets and Liabilities

At 31 March 2010, South Holland Local Housing Community Interest Company held fixed and current assets as follows: -

	2009/10
	£
Tangible Assets	178,563
Cash at Bank	345,280
Total	523,843

The accounts show current liabilities (creditors falling due within one year) of £76,203, creditors (amount falling due after one year) of £20,000 and deferred income of £340,250. There were no year end debtors. This results in net assets of £87,390. These sums are prior to the removal of inter-organisation transactions as shown below.

Commitments under Capital Contracts

The company is committed to pay a sum of £413,954 in respect of completing building work on two plots of land.

Government and Local Authority Grants

Grants of £340,250 were received by the company. This sum includes £140,000 from the Council.

Inter-organisation Balances (IOB)

Group accounting regulations require that inter-organisation balances be removed. There were no inter-organisation balances to be removed from year end debtors and creditors.

Inter-organisation Transactions (IOT)

Group accounting regulations require that the inter-organisation transactions be removed. The following transactions have been removed:

- The Council has chosen to support the company financially by gifting land and providing financial support. A sum of £20,000 has been loaned to provide working capital, land to the value of £100,000 has been gifted for development and an amount of £140,000 that had been received from developers under S106 agreements for the provision of affordable housing has also been transferred to the company.
- A further sum of £9,400 has been removed relating to administrative support costs charged by the Council to the company.

South Holland Local Housing Community Interest Company Accounts

Further information about the accounts of South Holland Local Housing Community Interest Company is available from the Company Secretary, Mr M Stinson, Council Offices, Priory Road, Spalding, Lincs, PE11 2XE

South Holland District Council
ANNUAL GOVERNANCE STATEMENT

1. Scope of responsibility

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

1.2 In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of governance which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

1.3 To this effect South Holland District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is available on our website at www.sholland.gov.uk

1.4 This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit (Amendment) Regulations 2006 for authorities to prepare a statement of internal control in accordance with 'proper practice'. There are many positives to take from the last year and a number of external inspections of the council rated us well. Through their comprehensive assessment process the Audit Commission rated us as 'Excellent' in early 2009. In doing so they placed us with the top performing local authorities in the country and the only Excellent rated Council in Lincolnshire. They recognised that on a regular basis we go beyond our basic duties to deliver greater outcomes for the community. An "Organisational assessment" by the Audit Commission later in the year reaffirmed that we are a top performing council. We retained Investors in People accreditation, achieved the Member Development Charter and were awarded the 'achieving' standard of the local government equalities framework. This gives external validation to our commitment to treat communities and staff fairly and with respect, for elected members to give democratically accountable leadership and to work together to do a good job for the people of South Holland.

1.5 The Coalition's programme for government will impact upon the way the Council runs its affairs in future. A Bill will be introduced to devolve greater powers to councils and neighbourhoods and give local communities control over housing and planning decisions. The main benefits of the Bill would be:

- Empowering local people
- Freeing local government from central and regional control
- Giving local communities a real share in local growth
- A more efficient and more local planning system

We will review the impact on the Council's operations as more details emerge.

2. The Council's Governance Framework

2.1. The governance framework comprises the systems and processes, and cultures and values, for the direction and control of the Authority and its activities through which it accounts to, engages with and leads the community. Our governance framework enables us to monitor the achievement of our strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can only provide reasonable (not absolute) assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of our policies, aims and objectives. Through it we evaluate the likelihood of those risks being realised and the impact should they be realised, to enable us to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place at the Authority for the year ended March 2010 and up to the date of approval of the Statement of Accounts.

3. Purpose and Outcomes

Strategic Leadership

3.1. Our corporate plan covering the period 2010 to 2015 sets out our high level plans for delivering our longer term vision for South Holland to be a thriving, living, working, rural community. It explains the context of the area of South Holland, the challenges we face, and how the views of residents have influenced our priorities for action. The corporate plan is about what we, the District Council, plan to do in the next five years but it needs to be understood within the wider context of policies and strategies for Lincolnshire and the East Midlands. The Lincolnshire context is captured in the Sustainable Communities Strategy for Lincolnshire, entitled "Big County, Big Skies, Big Future", which sets the long term vision for the county to 2030. This has been developed following extensive consultation and assessment of needs. It includes issues and targets jointly agreed between Lincolnshire and the Government and formally acknowledged in the Lincolnshire Local Area Agreement. Within the strategy for Lincolnshire is a chapter for South Holland which sets the long term vision for our district to 2030, covering the most important issues for the area and the partners with whom we work in South Holland through the Rural Action Zone (RAZ).

3.2 The Council's long term vision to 2030 and its priorities are based on extensive community consultation and partner engagement to ensure they fully reflect the aims and aspirations of the wider community. Our long term vision for the district is also captured in the South Holland Local Plan and will be further ingrained in its successor, the Local Development Framework. We want to see South Holland continue to grow in terms of population, housing and the economy – but in a sustainable way. The corporate plan shows our commitment to elected local government improving and shaping South Holland for the benefit of its people; and to playing a full part in influencing and delivering strategies for Lincolnshire and the East Midlands Region.

Partnership working

3.3 We are committed to improving the effectiveness of partnership working. We have focused on making sure governance arrangements are fit for purpose and on building strong partner relationships in all of our partnerships including our two significant local partnerships (the South Holland Rural Action Zone, our Local Strategic Partnership and the South Lincs Community Safety Partnership). The internal audit reports in 2009 on the RAZ and the Lincs Community Strategy, and the Bridge partnership evaluation of the RAZ in December 2009, indicate that we are achieving this.

3.4 Partnerships in which we have a financial or other significant interest in are recorded in our partnerships log. The log is updated each year and this informs our assurance framework. The Council's financial regulations set out the principles of effective management of resources when working in partnership, including the setting of clear objectives and management of financial and delivery risks. We are currently reviewing and strengthening our partnership performance management framework together with risk and financial management arrangements. In addition all significant partnerships are evaluated periodically at both a council and sub-regional level. The Bridge Partnering Framework is used as a diagnostic tool to evaluate partnership working against best practice statements ensuring that they are well managed, deliver results and provide value for money. This work will be strengthened by the Greater Lincolnshire Risk Forum, of which we are a member.

3.5 We are part of two shared service arrangements within Lincolnshire, Procurement Lincolnshire Shared Services and Legal Shared Services. The charging regime for Legal Services is changing next year when hourly charge out rates will be implemented. Client liaison meetings are held as part of the overall Governance framework.

Companies

3.6 During the year the Council set up the Food Heritage Centre Community Interest Company. The company remained dormant in 2009/10 but intends to start trading in 2010/11.

3.7 The Council is the sole shareholder of South Holland Local Housing Community Interest Company. The board of directors is responsible for preparing the Director's report, financial statement and governance arrangements for the company.

3.8 The Council has embarked on a merged services project with East Lindsey District Council, a separate Company is being set-up in 2010/11 to progress this. The Council approved the governance arrangements being a limited company set up and wholly controlled with East Lindsey District Council. It is proposed that each Council will appoint three directors each to the board.

Quality of Service

3.9 Our annual business planning processes are part of our integrated planning framework which ensures that service planning and related resource management flow from the Council's Corporate Plan. We measure the overall effectiveness of our service delivery through the Council's performance management framework. This is reviewed annually through the Council's annual report – formally reporting progress against plan. The quality of service delivery is measured monthly by service

management teams and reviewed by the Senior Management Team. Quarterly service and financial performance is reported formally to Cabinet.

3.10 All performance is subject to detailed review and challenge by Overview and Scrutiny who report on areas of concern to the Cabinet. The Council has reviewed its basket of corporate performance indicators in light of its priorities, national indicators and the LAA for Lincolnshire. Performance plus is being introduced to improve performance reporting in 2010/11, this will enhance management information and improve data quality. The Council has concerns over the likelihood of further cuts in public spending plans. Due to the recession, trading accounts continue to be closely monitored and reported to the Strategic Management Team. We will be seeking to ensure that South Holland's residents and Council's interests are safeguarded during the implementation of the Merged Services Organisation with East Lindsey District Council.

Use of Resources

3.11 Budget holders are required to demonstrate value for money in the use of resources and our external auditors conduct an annual value for money assessment to determine our overall effectiveness in this area. We have an efficiency and value for money strategy, value for money toolkit and value for money matrix group with responsibility for ensuring value for money good practice is embedded across the organisation. We have revised the terms of reference of the group to include Use of Resources. We also work with colleagues across the county to explore and share best practice, we are also drawing down funding for joint initiatives. We have upgraded our financial management system and financial reporting. Monthly budget meetings are held with all budget holders.

4. Functions and Roles

Effective Leadership

4.1 The Constitution documents roles and responsibilities for the Council and its standing committees. All working groups have clear terms of reference for their work in supporting policy development and progress monitoring. Member's roles and responsibilities are defined in both generic and specific job descriptions that have been tested through consultation and based on a recommended model with some additional local interpretation. A clear Officer/Member delegation framework exists to provide clarity on the powers entrusted in those appointed to make decisions on behalf of the Council.

4.2 The Council has adopted a standard form of committee report which seeks to ensure that all matters coming to members for decision have first received consideration in respect of all appropriate and necessary, legal, financial, professional and technical matters.

Working Relationships

4.3 The Constitution sets out the Scheme of Delegation to Officers including the conditions of delegation.

4.4 All staff have conditions of employment and job descriptions that set out their roles and responsibilities. There is also a competency framework. The framework defines the competencies required of each post in SHDC so that individuals can be assessed against them to identify suitability for the posts, areas of strength and

areas for further development. Competencies can be used to measure how well we do things and are essential to the performance management process. The competencies provide consistent standards across the organisation and help to identify the types of behaviour the Council wishes to promote, develop and engender. The Framework is split into two sections, Core Competencies and Non-Core Competencies. There are eight core competencies (for all staff) and eight non-core competencies (for managers who report directly to Heads of Service and Directors).

5. Conduct and Behaviour

Standards of Conduct

5.1 The behaviour of Councillors is regulated by a member code of conduct supported by a number of protocols applying the principles of the code to the council's activity. The Standards Committee ensures high standards of conduct by members of the Authority, offering regular training opportunities. It advises on the adoption or revisions to the code of conduct for members. Responsibility for the initial assessment of formal complaints about members was transferred from the Standards Board for England to the Committee in May 2008. A review of how the new responsibilities were working was undertaken during the year and found to be working well. The Committee also receives and considers reports where complaints have been referred for investigation. It regularly monitors the effectiveness of the implementation of the Code. During the year there were no findings of breaches of the Code by members. The Coalition Government plans to abolish the Standards Board regime.

5.2 The Council has updated its Employee Code of Conduct following consultation and there are a number of specific policies set out on the Council's intranet sub site "working here" (e.g. on bullying, sickness etc).

Financial and Risk Management

5.3 The Head of Finance is designated the responsible officer for the administration of the Council's financial affairs under S151 of the Local Government Act 1972. This includes ensuring the lawfulness and financial prudence of decision making; providing advice, particularly on financial impropriety, publicity and budget issues, giving financial information; and acting as the council money laundering reporting officer.

5.4 The Authority operates a strong financial management framework acknowledged by the Audit Commission. Financial regulations are supported by effective financial procedures underpinned by the work of internal and external audit. Financial regulations and contract procedure rules are regularly reviewed to ensure they remain effective in supporting sound internal control. During this year we updated our Contract Procedure Rules in line with Procurement Lincolnshire's rules to strengthen our procurement procedures.

Legal and regulatory compliance

5.5 Compliance with established policies, procedures, laws and regulations is ensured by the requirements of the constitution to give the Chief Executive, the monitoring officer (Head of Customer, Legal and Member Services) and the Chief Finance Officer (Head of Finance) the opportunity to comment on every report submitted to a decision making body. The monitoring officer has a legal duty to

ensure the lawfulness and fairness of decision making). It is planned during 2010/11 that the monitoring officer will undertake a fundamental review of the Constitution, in the light of the new Merged Services Organisation.

Member and officer development

5.6 The Council has been reassessed under the Investors in People accreditation and is committed to the development of Members and staff at all levels of the organisation. The review concluded that relationships between council managers and staff and that of members, appear to be at a very high level.

5.7 During 2007/08 the Council approved a commitment to achieve the East Midlands Regional Member Development Charter. A cross party Member Development Steering Group was appointed to take this forward supported by the Member Services Manager and during September 2008, a diagnostic check on member development was carried out. The results of the diagnostic check were used to form the basis of an action plan which has been actively progressed by the Member Development Steering Group during 2009/10. The Steering Group have successfully updated the Member Development Policy and have created a Member Development Strategy and Plan which provide a strategic approach to the delivery of member development. This is significantly member led through the Steering Group inputting their experiences and views on the development required for elected members at various levels. Also in 2009/10 Performance Development Reviews were carried out for elected members and 55% were completed, which has enabled the Steering Group to develop an effective training programme for 2010/11.

5.8 In March 2010 South Holland District Council was accredited with the Member Development Charter. This was following an assessment which was completed by Local Government East Midlands assessors. We are still awaiting their final report.

Community Engagement

5.9 The council is committed to listening to and involving the community and consistently demonstrates that it does. Our consultation processes provide useful feedback on services, public perceptions and quality of life; we provide guidance on good practice and we profile respondents to better understand equalities implications. The Statement of Community Involvement guides engagement relating to the production of planning documents and on planning applications. The Housing Service employs a tenant engagement officer to work closely with our tenants, some of whom are also our most vulnerable, and understand their specific needs. Our community engagement strategy, which was agreed in March 2009, provides a robust strategic framework for addressing the most significant barriers to engagement in South Holland, and a programme of action for improving information provision, consultation and empowerment. This is complemented by our web strategy and on-line capability. We have received community cohesion funding from the Government and are progressing with a number of community based projects e.g. transnational projects, intergenerational film projects.

Organisational Values

5.10 The Council has adopted a set of organisational values and behaviours:-

We value our citizens. We will conduct our business in an open and accountable way.

We value our customers. We will always listen and treat them courteously and fairly. We will effectively deal with their enquiries, service requests, suggestions and complaints.

We value our staff and elected members. We will enable them to do their jobs well.

We value honesty and integrity. We will always tell the truth and our actions will be consistent with these values.

We value the environment in which we live. We will act responsibly towards its future.

We value giving value for money. We will balance the cost, standard and customer view of the services we provide.

5.11 The complaints procedure has been reviewed and ensures customers get their needs met in a fast, courteous, fair and consistent manner and a resolution is achieved as quickly as possible. Complaints are taken very seriously and the Council learns from issues raised to help improve services.

6. Scrutiny and Managing Risk

Scrutiny

6.1 The Constitution sets out how the Council operates and the process for policy and decision making. Full Council has overall responsibility for the Constitution, Scheme of Delegation, Budget and Policy Framework. There are two scrutiny committees the Performance Monitoring Panel and the Performance Development Panel. The panels are supported by a designated Scrutiny Officer.

6.2 Committee-web is an intranet system used to ensure that agendas are set and decision making documented in a comprehensive and consistent manner.

Risk Management

6.3 The Council's risk management arrangements are embedded in its Corporate Risk Management Strategy and risk registers. These identify strategic, corporate and operational risks, assess those risks for likelihood and impact, identify mitigating controls and allocate responsibility for those controls. Last year the opportunity was taken to further review our risk management arrangements and re-design the role of the 'risk manager' so that more value was added the Council.

6.4 This year we have seen the delivery of the detailed improvement plan. An overview of risk management is taken by the Senior Management Team championed by the Corporate Director ensuring that it is an integral part of the councils' day to

day thinking. All Members decisions are supported by a commentary on the risks involved in taking the decision (or not taking the decision) and this developing greater Member appreciation of risk, not least through reports into the Governance and Audit Committee. Business Continuity Plans have been updated.

Legal Powers

6.5 The Council understands its legal powers and limitations, and seeks to ensure that it acts lawfully at all times. The Monitoring Officer is responsible for advising the Council if any proposal, decision or omission is likely to give rise to unlawfulness or maladministration.

7.0 Capacity and Capability

Skills and resources

7.1 There is a strong working relationship between members and staff, and the Council aims to ensure that they have the skills, resources and support needed to perform effectively in their roles. The Council has an embedded induction process.

Development and Performance

7.2 The Council provides a full range of development opportunities for members. Staff performance is managed using a new performance development framework. The Performance Development Review (PDR) process improves communications and ensures employees have clear objectives and an understanding of how they contribute to the corporate priorities and goals. All Council employees have an annual Performance Development Review which are followed up and monitored by the reviewer and reviewee throughout the year via informal progress discussions. The process begins with a review of the Chief Executive by Elected Members and moves through the organisation to every member of staff.

8.0 Process for maintaining and reviewing the governance framework's effectiveness

8.1. At least annually, the Council reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the Senior Management Team on the development and maintenance of the governance environment led by the Corporate Director. The Senior Management Team has taken over the role of the matrix group so that it can strengthen arrangements. It is also informed by our Internal Auditor's annual report and by comments from our External Auditor and other review agencies and inspectorates.

8.2 When Council approves the organisation's budget and policy framework it ensures that changes improve or maintain the effectiveness of its governance arrangements. Key policy developments during 2009/10 have included the development of a suite of ICT security policies. We have a new and secure Government Connect Network.

8.3 The Governance and Audit Committee has a responsibility to advise on the effectiveness of our governance arrangements. It has an important role as the designated audit committee for the Authority and considers the findings of internal and external audit. It ensures that audit recommendations are implemented and considers the effectiveness of our arrangements for securing internal control. It challenges the Authority's performance against key performance indicators and

assesses key corporate risks on an exceptions basis to ensure that sufficient mitigating action is taken to manage corporate risk. This year the Committee has taken on responsibility for reviewing Treasury Management. The Committee is member led and has held officers to account.

8.4 The Head of Finance has provided the Internal Audit service through a contract with Lincolnshire County Council who monitors the effectiveness of the control environment and reports specific recommendations to the Senior Management Team and Governance and Audit Committee. An annual internal audit report and opinion is also produced for the Governance and Audit Committee which comments on the overall effectiveness of our control environment. Adequacy of internal controls is scored as either a full, substantial, limited or no assurance by internal audit.

8.5 During 2008/09 there were three final reports issued where assurance could not be given, Pre-contract, Creditors and ICT Infrastructure. A subsequent audit report in 2009/10 has been issued on Creditors giving limited assurance, the Creditor issues will be addressed as part of the merged services redesign, this is in relation to a systems design issue, in the opinion of officers adequate controls are place. There has been the achievement of incremental improvement on Contract Management. A Microsoft audit of software licences was undertaken in year which highlighted non-compliance; work was carried out by IT to bring the authority to full compliance. Our full compliance was certified by Microsoft in December. A subsequent ICT audit undertaken by internal audit gave substantial assurance for the software management process within IT. The one outstanding issue has now been resolved.

8.6. The Governance and Audit Committee ensures the effective implementation of recommendations from our internal and external auditors and considers the effectiveness of our internal control environment. The adequacy of our Internal Audit service has been reviewed by the Governance and Audit Committee and has been viewed as being robust and performing well.

8.7 During the year officers identified irregularities in accounting transactions. A fraud investigation was undertaken and this matter has now been referred to the police. All audit issues have now been actioned by management

Significant Governance Issues

No.	Issue	Audit/Inspection	Improvement Activity
1.0	Rent in advance deposits had no assurance. The review found weaknesses in the process which had allowed payments to be made where there is no documentation to support them and payments to be made without action to recover the advance	Audit	Although these weaknesses were identified it was found that failure to follow the process was not the general culture. Checklists have now been implemented and full guidance and training of staff undertaken to ensure that audit issues have been fully addressed.

2.0	CSU audit had limited assurance. Contract and procurement rules had not been adhered to and current budget arrangements needed strengthening.	Audit	The CSU audit had been commissioned as part of a review of the Construction Services Unit and a comprehensive improvement plan was already being implemented. Management were fully aware of the issues and the procurement issue related to a small part of the work within the team. Workshops have been held to work with the supervisors to develop budget preparation and monitoring procedures for the CSU. Arrangements are in place to appointment a permanent CSU manager.
3.0	Planning Issue		On completion of a stage 3 complaint investigation into the Nestwood Homes Development Limited site at Fleet Hargate, the Council subsequently made compensation payments to residents and implemented procedural changes. During June officers from the Ombudsman's Office will be coming here to interview officers and members in connection with this site.

Certification

In preparing our Annual Governance Statement we have considered the views of both Internal and External assurance providers, evaluated ourselves against a testing matrix of good governing principles. This work has provided a basis for reports to the Senior Management Team and the Governance and Audit Committee, who have concluded that our governance arrangements are both satisfactory and effective. In addition a self assessment of assurance from our senior managers has informed this statement and will be considered in detail by the senior management team. We are declaring no exceptional items at the time of producing this statement and will actively seek ongoing improvements under the stewardship of the Senior Management Team.

Signed:.....

(Leader)

.....

(Chief Executive)

Independent auditor's report to Members of South Holland District Council

Opinion on the financial statements

I have audited the Authority and Group accounting statements and related notes of South Holland District Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of South Holland District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Responsible Financial Officer and auditor

The Responsible Financial Officer's responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority and Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

- the financial position of the Authority and its income and expenditure for the year and
- the financial position of the Group and its income and expenditure for the year

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the Authority and Group accounting statements, and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Explanatory Foreword and the content of the Annual Report. I consider the implications for my

report if I become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority and Group accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority and Group accounting statements and related notes.

Opinion

In my opinion:

The Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and

The Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Group as at 31 March 2010 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, South Holland District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010.

Certificate

The audit cannot be formally concluded and an audit certificate issued until I have completed my consideration of matters brought to my attention by local authority electors. I am satisfied that these matters do not have a material effect on the financial statements.

Tony Crawley
Officer of the Audit Commission

Audit Commission
Rivermead House
7 Lewis Court
Grove Park
Enderby
Leicestershire
LE19 1SU

Date: 28 September 2010

GLOSSARY OF TERMS

Accounting Period

The length of time covered by the authority's accounts. This is twelve months commencing on 1 April. The end of the accounting period is the balance sheet date i.e. 31 March.

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 and losses and changes to reserves

Accruals concept

The non-cash effects of transactions have been reflected in the statements for the financial year in which they occur, not when the cash is received or paid.

Actuary

An expert on pension scheme assets and liabilities.

Actuarial Gains and Losses – Relates to FRS 17 - Pensions

For a defined pension scheme, the changes in actuarial deficits or surpluses that arise because:

- events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses)
- the actuarial assumptions have changed

Amortisation

The writing down in value of intangible assets, which is charged to service revenue accounts to reflect the cost of such assets, used in the provision of services. This is the equivalent of depreciation for fixed assets.

Asset

An asset is something that the authority owns that has monetary value. Assets are either "current" or "fixed"

- 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 fixed asset provides benefits for a period of more than one year e.g. Council Offices, Council Houses
- An intangible asset is an 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 independent examination of the Council's accounts to ensure that they comply with the necessary legislation and follow best accounting practice. The Council's accounts are audited by the Audit Commission.

Bad debts

Outstanding amounts owed to the Council which are highly unlikely to be collected.

Balances

The revenue reserves of the Council made up of the accumulated surplus of income over expenditure.

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.

Billing Authority

A local authority responsible for collecting the council tax and non-domestic rates i.e. South Holland District Council.

Capital Charges

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

Capital Expenditure

Spending on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Capital Receipts

Proceeds arising from the sale of fixed assets, such as land and buildings.

Carrying Value

An accounting measure of value, where the value of an asset is based on the figures in the balance sheet. For assets, the value is based on the original cost of the asset less any depreciation, amortisation or impairment costs made against the asset.

Chartered Institute of Public Finance and Accountancy (CIPFA)

The leading professional accountancy body for the public sector. They set and monitor professional standards and provide education and training in accountancy and financial management.

Code of Practice on Local Authority Accounting in the United Kingdom

Sets out the proper accounting principles and practices required for the statement of accounts, in accordance with the statutory framework for accounts, as established for England and Wales. The aim is to produce financial statements which present a true and fair view of the financial position of the Council.

Community Assets

Assets which the local authority intends to hold in perpetuity that have no determinable useful life and which may have restrictions regarding their disposal. Examples are parks and museum exhibits.

Communities and Local Government (CLG)

Department for Communities and Local Government

Commuted sums

Commuted Sums are negotiated contributions from developers, usually under section 106 Planning Agreements.

Comparability

A consistent approach to accounting policies is used in preparing the accounts to ensure that it is compared to previous years. Where there has been a change in accounting policy that has a material effect on the information, this has been disclosed.

Contingent Assets and Liabilities

A condition which exists at the balance sheet date, where the outcome will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events.

Corporate and Democratic Core

- Corporate Management: concerns those activities and costs that provide the “infrastructure” that allows services to be provided. Charges to this heading are strictly regulated. If costs can be identified within individual service areas, then they cannot be charged here.
- Democratic Representation and Management: includes all aspects of Members’ activities including corporate, programme and service policy making, governance and representation of local interests.

Council Tax

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

Creditors

Amounts owed by the authority 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 financial year.

Current Service Cost – Relates to FRS17 - Pensions

Current service (pension) cost is an estimate of the true economic cost of employing staff in a financial year, earning years of service that will eventually entitle them to a pension. It measures the full liability estimated to have been generated in the year (at today’s prices) and is unaffected by whether the fund is in a surplus or deficit.

Debtors

These are amounts due to an Authority but unpaid at the balance sheet date.

Depreciation

This is a measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time, or from obsolescence through technological or other changes.

Earmarked Reserves

Reserves set aside for specific purposes.

Economic Benefits

Benefits quantifiable in terms of money, such as revenue, net cash flow, net income.

Emoluments

Sums paid to an employee and sums due by the way of expenses, allowances and the money value of any other benefits received other than in cash. Pension contributions payable are excluded.

Expected Rate of Return on Assets – Relates to FRS 17 - Pensions

The average rate of return expected over the remaining life of the related obligation on the actual assets held by the Scheme.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an “arms length” transaction, less where applicable, any grants receivable towards the purchase or use of that asset.

Financial Instruments

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another, such as trade payables and receivables, borrowings, bank deposits and investments.

Financial Reporting Standard (FRS)

These are accounting standards as approved and published by the Accounting Standards Board, which pronounce the method of accounting treatment to be applied for specific areas.

General Fund

This account shows the expenditure and income relating to all the services provided by the Council, excluding the provision of Council Housing, and how the net cost of these services has been financed by local taxpayers and through government grants.

Going Concern

The accounts have been prepared on the assumption that the Council will continue to provide operational services for the foreseeable future.

Government Grants

Grants made by central government towards revenue or capital expenditure to help with the cost of providing services or financing capital investment. Some government grants have restrictions on how they may be used whilst others are deemed general purpose i.e. not related to specific services e.g. Area Based Grant.

Housing Benefits

This is a national system for giving financial assistance to individuals towards certain housing costs. The cost of the service is subsidised by central government.

Income

This is the money that the Council receives or expects to receive from any source, including fees and charges, government grants, contributions and interest.

Infrastructure Assets

Fixed assets that are immovable or not transferable, expenditure on which is recoverable only by the continued use of the asset created.

Interest on Pension Scheme Liabilities- Relates to FRS 17 - Pensions

The increase in the present value of the scheme liabilities expected to arise from employee service in the current period.

Investment Assets

This relates to an interest in land and / or buildings which are owned by the Council but are held for their investment potential rather than in the delivery of the Council's services, with any rental income being negotiated at arms length.

Liability

A liability arises when the Council owes money to others and it must be included in the financial statement. 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 bank overdraft.
- 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.

Local Government Pension Scheme

South Holland District Council participates in the Local Government Pension Scheme, which is a defined benefit pension scheme based on final pensionable salary. The fund is administered by Lincolnshire County Council.

Local Authority Business Growth Incentive (LAGBI)

Grant paid to Local Authorities in respect of business rate growth.

Materiality

In using its professional judgement the Council has considered the size and nature of individual transactions or set of transactions. An item is considered to be material where its omission or misstatement would reasonably change the substance of the information presented in the accounts.

Minimum Revenue Provision

This is the statutory minimum amount which must be charged in the authority's revenue account, in each financial year, for the repayment of debt.

Major Repairs Allowance (MRA)

Government grant paid to local authorities to finance part of the Housing Revenue Account Capital Expenditure.

National Non Domestic Rate

This is a national scheme for collecting contributions from businesses towards the cost of local government services, based on a flat rate in the pound set by Government.

Net Book Value

The value of fixed assets less accumulated depreciation/amortisation.

Negative Subsidy

Amount paid by a Local Authority to Government from its Housing Revenue Account.

Non Distributed Costs

These are overheads for which no user benefits and are therefore not allocated to services.

Non Operational Assets

Assets held by the Council but not directly used in the provision of its services, such as investment assets.

Operational Assets

Fixed assets owned by South Holland District Council and used in the delivery of its services, such as Council Dwellings, Sports Centres, Council Offices.

Operating Leases

This is a lease agreement where the ownership of the fixed asset remains with the lessor.

Past Service Cost – Relates to FRS 17 - Pensions

Under the provisions of FRS17 past service costs are non-periodic costs arising from decisions in the event year but whose financial effect is derived from years of service earned in earlier years. Most costs are likely to be discretionary benefits, including added year liabilities. Any new added years liabilities/past service costs will need to be recognised in non-distributed costs.

Post Balance Sheet Events

These are events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible officer.

Pooling of Capital Receipts

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

Precept

This is the amount that the Council, as billing authority, is required to collect from council tax payers to finance other precepting authority's expenditure. Precepts are issued by Lincolnshire County Council, Lincolnshire Police Authority, Parish and Town Councils and Internal Drainage Boards.

Primacy of Legislative Requirements

The Council operates through the power of statute. Where legislation prescribes the express treatment of transactions, the accounting concepts outlined may be over-ruled.

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

Two or more parties are related parties when at any time during the financial period:

- One party has direct or indirect control of the other party
- The parties are subject to common control from the same source
- One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing its own interests

The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transactions has subordinated its own interests.

Relevance

The information in the accounts is useful in assessing the Council's stewardship of public funds and performance.

Reliability

The information in the accounts is complete, prudently prepared, reflects the substance of transactions and is free from deliberate or systematic bias or material error.

Revenue Expenditure

The day to day expenses associated with the provisions of services.

Revenue expenditure funded from capital under statute

Capital expenditure which does not result in the creation of a fixed asset.

Revenue Support Grant

A general grant paid by the Government to local authorities as a contribution towards the costs of their services.

Soft Loan

A soft loan is a loan with a below-market rate of interest.

Spalding Special Expense

Section 35 of the Local Government Act 1992 makes provision for a district council to levy a special expense as an additional amount of council tax payable by residents in part of the Council's area. In the absence of a Town Council, South Holland levies a special expense on the residents of Spalding, for the provision of services such as playing fields and Spalding cemetery.

Statement of Recommended Practice (SORP)

A publication issued by the Chartered Institute of Public Finance and Accountancy which interprets the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.

Support Services

Costs relating to support functions e.g. Accounting Services, Human Resources, Organisational Development, which are recharged to the users of those services in proportion to the benefits received.

Useable Capital Receipts

The amount of capital receipts which the Council is able to use to finance capital spending.

Understandability

The information in the Statement is capable of being understood by users having a reasonable knowledge of business and economic activities and accounting and a willingness to study with reasonable diligence the information provided.

Useful Life

The period over which the Council will derive benefits from the use of a fixed asset.