

**SOUTH HOLLAND  
DISTRICT COUNCIL**

**STATEMENT OF  
ACCOUNTS**

**For the Year Ended 31 March 2009**

# STATEMENT OF ACCOUNTS

2008/09

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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 report 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 1.1 person per hectare compared to an average for England and Wales of 3.4 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 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 2009 was 37,923.

The latest population estimate for South Holland is 83,300 people. (Source: ONS Mid 2008 population estimates)

#### ***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, and by April 2009 had reached 3.7%, an increase of 2% in 12 months. This level is still below the regional and national level by 0.4%.

The mean gross annual earnings of people living in South Holland are lower than the national figure at £21,397 compared to £26,020. (Annual survey of hours and Earnings, ASHE, 2008)

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 holds elections for all district councillors once every four years. At a meeting of Annual Council on 13 May 2009 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.

## 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 four key areas of responsibility for the Committee are to:-

- Review financial statements
- Review internal controls
- Review the internal audit programme
- Appoint the external auditor

## 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

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

- Improving health
- Climate change
- Community cohesion
- Capacity to deliver

### ***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 2007/08 audit South Holland was assessed as having a level 3 score. This confirms that the Council is consistently above the minimum requirements in its use of resources and is performing well.

## **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. The Council has achieved savings of £347,000 against a target of £501,000.

The Council has approved a new 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
- Closer alignment of resources with priorities
- Working in partnership with the public sector

## **7. Review of 2008/09**

### ***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 capital expenditure, 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.

2008/09 has presented the authority with many challenges in managing its budgets. The economic downturn in the economy has significantly impacted on the level of income received from its Building Control, Development Control and Land Charge services. In addition falling Interest rates, during the second half of the year, has reduced the Council's ability to maximise investment returns. Increased utility prices, volatile fuel prices and an increase in the Council's vehicle contract also brought financial pressures on the Council in 2008/09. Heads of Service, in conjunction with portfolio holders, were tasked with identifying savings to manage the growing budget deficit. These savings, along with a recruitment freeze, introduced in the latter part of the financial year, have helped to minimise the impact of these cost pressures on the Council's resources.

### ***Shared Services***

During the year the Council entered into two Shared Services arrangements.

The Legal Services team at South Holland transferred to become Lincolnshire County Council (LCC) staff on 1<sup>st</sup> May 2008. Although continuing to be based at South Holland, the Legal team is now part of the County Council. A Service Level Agreement determines how the shared service is operated, with charging arrangements developing over an initial two year period. Year three will then see LCC providing legal services at an hourly rate.

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 new 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 LCC and the district councils for the provision of procurement services through Procurement Lincolnshire and also the provision of 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 revaluation of the Council's assets was undertaken in 2008/09. The freehold and leasehold properties which comprise the authority's property portfolio are valued by external valuers.

General Fund fixed assets were valued as at 1 April 2009 and their values applied to the Council's balance sheet at 31 March. The valuation bases were in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

The Housing Fixed Assets were valued at 31 March in accordance with prescribed accounting guidance.

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

<b>Asset</b>	<b>Previous Valuation</b>	<b>Value at 31 March 2009</b>	<b>Increase/ (Decrease)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Council Houses	196,062	168,275	(27,787)
Council Offices, Priory Road, Spalding	2,085	2,700	615
South Holland Centre, Spalding	4,040	4,500	460
Castle Sports Centre	2,540	3,840	1,300
Castle Swimming Pool	2,248	1,420	(828)

Asset revaluations during 2008/09 impact significantly on the Council's balance sheet and revenue accounts.

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

The budget for 2008/09 required an increase in the Council Tax of 2.75%. This gave a Band D Council Tax of £149.18.

The total net expenditure budget for the year was set at £13.267m, representing the net cost of providing the council's services.

The financing of the total net expenditure budget for the year is as follows:

	£'000
Government Formula Grant (Revenue Support Grant and re-distributed business rates)	8,433
Council Tax Income	4,826
Collection Fund Surplus	8
<b>Total</b>	<b>13,267</b>

The following table identifies significant variances in service expenditure analysed by Head of Service. Comparison of outturn is against the original budget for 2008/09 i.e. the budget as approved by Council when setting the Council tax for 2008/09 prior to the start of the financial year.

Head of Service	Original Budget £'000	Outturn £'000	Variance £'000
Chief Executive and Strategic Directors			
Services	542	576	34
Corporate Contingency	101	-	(101)
Assistant Chief Executive	311	261	(50)
Economic and Community Development	2,565	3,117	552
Community and Neighbourhood Services	4,417	4,498	81
Planning and Development	972	1,352	380
Organisational Development	75	-	(75)
Customer, Legal and Member Services	1,073	1,069	(4)
Housing and Property	221	834	613
Finance			
Services	1,340	1,214	(126)
Unallocated Pension Costs	77	347	270
Internal Drainage Boards	2,048	2,048	-
Parish Precepts	524	524	-
Investment Income	(601)	(722)	(121)
Local Authority Business Incentive Growth Grant	-	(140)	(140)
Area Based Grant	-	(118)	(118)
<b>Total Services</b>	<b>13,665</b>	<b>14,860</b>	<b>1,195</b>
Movement to/(from) Earmarked Reserves	113	(88)	(201)
Statutory Accounting Adjustments	(511)	(1,127)	(616)
<b>Total</b>	<b>13,267</b>	<b>13,645</b>	<b>378</b>

Net expenditure on the General Fund for the year exceeded the original budget by £378,000.

***Explaining the major differences:***

The Corporate Contingency is transferred to the appropriate Head of Service budget as need to spend is identified. The contingency for 2008/09 has primarily been used to finance Planning compensation costs. During the year the Council incurred £162,000 in compensation payments and legal costs in respect of the Nestwood Homes planning appeal. These costs are included under Planning and Development Services.

The Council's assets were revalued at 31<sup>st</sup> March 2009 and as a result some significant downward revaluation entries are included within the service revenue accounts. Examples of these are shown within the Economic and Community Development service for the swimming pool at £631,000 and other property included within the Housing and Property Services at £468,000. Although these represent significant movements against the original budget they have no impact on the net costs as they are reversed out as part of statutory accounting adjustments.

Additional grass cutting, increased commercial vehicle contract costs and loss of car parking income all contributed to the overspend on the Community and Neighbourhood Services budget.

The Planning and Development outturn position largely reflects the loss of income of £314,000 from the Development Control, Building Control and Land Charges services as a result of the economic downturn.

Housing Services budgets have been overspent as a result of higher void levels and maintenance costs associated with the provision of homeless families' accommodation. The costs associated with setting up the Local Housing Company are also shown here. These are funded as part of the movement from reserves.

Changes to the national legislation surrounding Concessionary Fares from 1 April 2008 made it difficult to gauge the costs of the scheme in 2008/09 and this has resulted in an underspend on this service of £62,000.

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 £116,000.

Unallocated pension costs reflect the Council's requirements to comply with Financial Report Standard 17. Full details are given in the accounting policies and in Note 47 to the Core Financial Statements.

Interest receivable of £722,000 from investments exceeded the budget of £601,000 as a result of achieving a higher than anticipated rate of return and holding higher than expected cash balances.

Insurance premium savings generated during the year, as a result of re-tendering the Council's insurance portfolio, enabled £200,000 of General Fund balances to be applied to establish an Insurance Reserve. This reserve will be applied in future years to cover policy excesses.

## ***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 an increase in the HRA working balance of £252,000. The outturn position shows an increase of £472,000.

The key reasons for the differences are:

- A reduction in the amount of HRA subsidy payable in respect of 2007/08 following the final audited claim - £110,000.
- Staff savings on the Sheltered Housing service as a result of restructuring of the service - £61,000.
- Cost reduction in retendered insurance premiums - £87,000.

The net cost of services for 2008/09, as shown in the Income and Expenditure Account, for the HRA shows a significantly different position i.e. £23.7m as against the £534k reported for 2007/08. This is the result of a £24m accounting entry to reflect the capital expenditure incurred during the year which is considered not to add value and the latest housing stock valuation. The decrease in stock value reflects the impact of the downturn in house prices since the previous valuation. This accounting adjustment has no impact on the HRA balances as a compensating adjustment is made and shown in the Statement of Movement on the HRA, in accordance with accounting requirements.

The balance on the HRA has increased from £1.376m to £1.848m.

## ***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 £5.8m on capital projects. The final approved programme, based on projections as at 31 December 2008, was set at £5.9m. Outturn for the year amounted to £4.4m which was £1.5m 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:

	<b>Final Budget £'000</b>	<b>Outturn £'000</b>
Major Repairs Allowance	2,863	2,386
Capital Receipts	768	106
Direct Revenue Financing	710	784
Capital Grants and Contributions	1,070	585
Supported Capital Expenditure	506	506
<b>Total</b>	<b>5,917</b>	<b>4,367</b>

Analysis of Capital Expenditure incurred in the year against the final approved budget.

<b>Scheme</b>	<b>Final Budget £'000</b>	<b>Outturn £'000</b>	<b>Variance £'000</b>
Improvement to Council Houses	3,948	3,150	(798)
Industrial and Commercial Infrastructure	807	441	(366)
Investment in ICT	583	244	(339)
Grants paid to private sector tenants	379	335	(44)
Culture, Heritage and Sports	90	93	3
Other Capital Projects	110	104	(6)
<b>Total</b>	<b>5,917</b>	<b>4,367</b>	<b>(1,550)</b>

***Explaining the major differences:***

Of the £1.5m underspend the principal schemes involved were:

- Kitchen and Bathroom Replacement Contract (£730,000) - contract termination prior to the end of the financial year.
- Choice Based Lettings (£224,000) – future options being reviewed with partners
- PSICA Conservation Grants (£175,000) - where grants have a two year acceptance period.
- Red Lion Street – Food Heritage Centre Project (£94,000)
- Gypsy and Travellers sites (£75,000)

Approval has been given to carry forward the under spend into 2009/10.

Assets under construction, with a balance sheet value of £1.013m, at 31 March 2009 relate to schemes at Crease Drove and Red Lion Street.

***Council Tax Collection***

The net collectable amount for 2008/09 Council Tax was £33.1m, of which £32.4m has been received. This represents a collection rate of 97.88% against a target of 98.50%. Total Council Tax arrears, including costs, amounted to £1,003,000 as at 31 March 2009. These will be collected during 2009/10.

### ***Significance of Pension liabilities and assets***

The application of Financial Reporting Standard (FRS) 17 has resulted in a pension liability of £15.845m (£9.649m 2007/08) 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 2009. The FRS 17 balance sheet position for South Holland has deteriorated in 2008/09. The FRS 17 pension deficit is bigger in monetary terms at 31 March 2009. This is because of the impact of unfavourable investment returns during the year, which have only been offset to some extent by more favourable financial assumptions.

Full details on pensions are set out in the Accounting Policies and in note 47 to the Core Financial Statements.

### ***Changes in accounting policies***

Under the 2008 SORP the Council has adopted the amendment to FRS17, Retirement benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The actuaries have advised that the effect of this change has no material impact on the value of assets; therefore no adjustment is required to be made to the value of assets disclosed in the annual accounts.

### ***Treasury Management Performance***

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

During 2008/09 the turmoil in the financial markets meant that many previously highly rated institutions were downgraded, leaving some of our fixed term investments in institutions that would no longer meet the requirements of our strategy. However we have managed the risk by limiting surplus cash investments to short term deposits with highly rated UK institutions and been kept updated by seeking advice from our Treasury management consultants. The Council held no investments in Icelandic institutions.

Interest credited to the Income and Expenditure Account in 2008/09 was £857,000. This exceeded the original budget of £619,000 by £238,000. The interest received in the year is allocated between the General Fund and the Housing Revenue Account.

Our performance of average interest rate received for the year of 5.50% exceeded the budget of 4.75%; we were able to exceed the 3 month London Inter-Bank Bid Rate (LIBID) of 4.49%.

The Council held investments of £13.150m at 31 March 2009 (£11.0m at 31 March 2008).

### ***Reserves and Balances***

The General Fund working balance at the end of the financial year is £1.734m, which will be carried over into 2009/10. 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 Central Government grants. The current minimum working balance for the General fund is set at £1.3m.

The Housing Revenue working balance of £1.848m represents the existing revenue balance. The current minimum working balance for the Housing Revenue Account is set at £0.665m.

The Council holds a number of earmarked reserves to finance future capital and revenue expenditure. The value of specific reserves held at 31 March 2009 is £3.087m (£3.130m at 31 March 2008). A full analysis of earmarked reserves is contained in note 41 to the Core Financial Statements.

### ***Local Housing Company***

During the year the Council set up South Holland Local Housing Company, a Community Interest Company, in order to access social housing grant from the Homes and Communities Agency to build affordable homes within the District. It is intended that the Company will build homes for both social rent and shared equity with the first phase of 6 dwellings commencing in 2009. Although there were no financial transactions in 2008/09 it is envisaged that the Council will have to produce group accounts for 2009/10.

### ***Risk Management***

During 2007/08 the Council employed KPMG to conduct a review of its risk management process and to make recommendations to enable the Council to make necessary step changes to improve the way in which it manages its risks. This has led to a measurable improvement in the approach adopted by the Council during 2008/09 and has ensured that its operational, corporate, partnership and project risks are effectively managed. Financial risk is reviewed monthly and ensures that the Council maintains an appropriate level of cash balances and reserves.

### ***Equal Pay***

An equal pay audit was undertaken in 2007/08. This audit identified some potential for risk of equal pay claims related to the use of "for life of person in post" market supplements. Legal advice was sought and an action plan agreed, together with amendments to associated policies that limit and mitigate the risk. As a consequence it is assessed that the risk of a successful challenge is low and the risk will further diminish over time. No provision has been made in the 2008/09 accounts for equal pay claims.

### ***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 2008/09.

## ***Audit***

The first draft of these accounts will be approved by full Council on 24 June 2009. The accounts will be subject to audit by the Audit Commission which will commence on 6 July 2009. Publication of the accounts will follow the completion of the audit and the statutory deadline for publication is the 30 September 2009.

## **8. The Statement of Accounts**

The following Statement of Accounts for South Holland District Council present the overall financial position for the Authority for the year ended 31<sup>st</sup> March 2009 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 16 - 25)**

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

### **Statement of Responsibilities (page 26)**

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 27)**

This account summarises the resources that have been generated and consumed in providing services and managing the Council during 2008/09. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets consumed and the real projected value of retirement benefits earned by employees in the year.

### **Statement of Movement on the General Fund Balance (page 28)**

This is a reconciliation showing how the balance of resources generated/consumed in the year links in with the statutory requirements for raising Council Tax. The main differences are:

- Capital investment is accounted for as it is financed rather than when the fixed assets are consumed
- 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 was 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 29)**

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 surplus 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 30 - 31)**

This sets out all the Council's assets and liabilities on 31 March 2009. 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 the fixed assets held.

**The Cash Flow Statement (pages 32 – 33)**

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

**Notes to the Core Financial Statements (pages 34 – 64)**

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

**Housing Revenue Account (pages 65 – 73)**

This reflects a statutory obligation to account separately for the Council's housing landlord function. It shows the major elements of housing revenue expenditure – maintenance, administration, and capital financing costs, and how these are met by rents, subsidy and other income.

**Collection Fund (pages 74 – 76)**

This account details all monies due from Council Tax and Business Rate payers and payments made to the County Council, Police Authority, Parish Councils and the District Council. All business rates, less a deduction for collection costs, are paid into a central government pool and redistributed to local authorities through the Local Government Finance Settlement. The Collection Fund is incorporated in the Balance Sheet and the Cash Flow Statement.

**Annual Governance Statement (pages 77 – 82)**

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 86 - 93) 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 2008/09 accounts the inspection period is 6 July 2009 to the 3 August 2009.

The dates have been advertised in the local press and the Financial Statement will be made available on our website [www.sholland.gov.uk](http://www.sholland.gov.uk).

**Elizabeth Jones FCMA DMS**  
**Head of Finance**  
**24<sup>th</sup> June 2009**

# STATEMENT OF ACCOUNTING POLICIES

## 1. General

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2008, 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 become 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. Provisions 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 2008/09.

### **4. Reserves**

The council sets aside specific amounts as reserve 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)**

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 with the exception of Housing and Planning Delivery Grant. This grant is taken to a reserve in the year of receipt and then appropriated back into revenue through the Statement of Movement on the General Fund balance to finance the relevant expenditure charged to service revenue accounts.

Grants received to cover general expenditure e.g. Revenue Support Grant, Area Based Grant and Non Domestic Rates redistribution 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. This is accounted for as a defined benefit scheme (retirement lump sums and pensions).

### 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 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 current prices, using a discount rate of 6.9% (based 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 asset 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 curtailment – 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 pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – 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.

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 debit 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 Customs and Excise and all VAT paid is recoverable from it.

## 8. Overheads and Support Services

The cost of overheads and support services are charged to those services that benefit from the supply or service in accordance with the costing principles of CIPFA Best Value 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 Administrative Services Benefit Fraud	Based on support given to each cost centre. Based on 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 Communications	Based on salary allocations for Community and Neighbourhood. Full Council Salary allocations weighted against service support given.
Corporate Administration Council Office Accommodation Customer Services	Based on Directors' salary allocation. Floor area occupied by each Service. 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.
Health and Safety Human Resources Information Services	Based on salary allocations. 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.
Payroll	Based on salary allocations-single status and establishment.
Planning Administration	Based on salary allocations of the service.
Photocopying	Previous year's actual usage.
Reception and Telecoms	Previous year's actual usage from switchboard information and CRM system data.
Workplace Safety	Corporate 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 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, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing cost
- Vehicles, plant and equipment – depreciated historical cost
- Infrastructure assets and community assets – depreciated historical cost

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 where there have been material changes in the value, but as a minimum every five years. Increases in valuation are matched by credits to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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 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 – Major Repairs Allowance used as a proxy for depreciation.
- 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

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 implemented the new MRP guidance in 2008/09 and 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 2008/09 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 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 lease are shown in note 24 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 42 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. Although this is accepted local authority practice it does not comply with Statement of Standard Accounting Practice 9.

### **18. Cash Flow Statement**

As permitted by FRS 1, the Council's cash flow statement has been presented using the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed.

# 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 Code of Practice).

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 code of practice

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 presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2009

Elizabeth Jones, DMS FCMA  
Head of Finance

Dated: 24<sup>th</sup> June 2009

## Approval of Accounts

I confirm that these accounts were approved by the full Council at the meeting held on the 24<sup>th</sup> June 2009.

Signed on behalf of South Holland  
District Council:

Cllr Francis Biggadike  
Chair of meeting approving the  
accounts

Dated: 24<sup>th</sup> June 2009

**CORE FINANCIAL STATEMENTS**  
**INCOME AND EXPENDITURE ACCOUNT**

	Expenditure £'000	2008/09 Income £'000	Net £'000	2007/08 Net £'000
Central services to the public	6,691	(5,698)	993	1,120
Cultural, environmental, regulatory and planning services	12,913	(3,809)	9,104	8,099
Highways and transport Services	963	(573)	390	510
Local authority housing (HRA)	36,511	(12,785)	23,726	534
Other housing services	13,963	(12,973)	990	1,177
Corporate and Democratic Core	1,787	(83)	1,704	1,417
Non - distributed Costs	419	-	419	24
<b>Net Cost of Services</b>	<b>73,247</b>	<b>(35,921)</b>	<b>37,326</b>	<b>12,881</b>
Gain on the disposal of fixed assets			(173)	(4)
Precepts of local precepting authorities (Note 16)			2,572	2,427
Contribution of housing capital receipts to government pool			165	521
Interest and investment income			(857)	(887)
Pensions interest cost and expected return on pensions assets (Note 47)			578	(98)
<b>Net Operating Expenditure</b>			<b>39,611</b>	<b>14,840</b>
Demand on the Collection Fund			(4,834)	(4,595)
General government grants (Note 13)			(1,288)	(1,330)
Non-domestic rates distribution			(7,403)	(6,944)
<b>Deficit for the Year</b>			<b>26,086</b>	<b>1,971</b>

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

	2008/09 £'000	2007/08 £'000
Deficit for the year on the Income and Expenditure Account	26,086	1,971
Net additional amount required by statute and non-statutory practices to be debited or credited to the General Fund Balance for the year (Note 19)	(25,708)	(1,978)
<b>(Increase)/ Decrease in General Fund Balance for the year</b>	378	(7)
<b>General Fund Balance brought forward</b>	<b>(2,112)</b>	<b>(2,105)</b>
<b>General Fund Balance carried forward</b>	<b>(1,734)</b>	<b>(2,112)</b>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2008/09 £'000	2007/08 £'000
Deficit for the year on the Income and Expenditure Account	<b>26,086</b>	1,971
Surplus arising on revaluation of fixed assets	<b>(1,726)</b>	(6,882)
Actuarial (gains) and losses on Pension Fund assets and liabilities	<b>5,886</b>	(1,692)
(Surplus)/ Deficit on the Collection Fund	<b>16</b>	(21)
<b>Total Recognised Gains and Losses for the year</b>	<b>30,262</b>	<b>(6,624)</b>

## BALANCE SHEET

	31 March 2009 £'000	31 March 2008 £'000
<b>Fixed Assets</b>		
Intangible Fixed Assets	198	257
Tangible Fixed Assets		
Operational Assets		
Council Dwellings	167,125	194,937
Other Land & Building	20,958	17,032
Vehicles, Plant & Equipment	551	569
Infrastructure Assets	1,508	1,543
Community Assets	691	671
Non-Operational Assets:		
Surplus Assets	759	1,270
Investment Assets	217	1,684
Assets Under Construction	1,013	-
<b>Total Fixed Assets</b> (Note 20, 21, 22, 23, 27, 28, 29, 30,31)	<b>193,020</b>	<b>217,963</b>
Long Term Debtors (Note 33)	264	197
<b>Total Long Term Assets</b>	<b>193,284</b>	<b>218,160</b>
<b>Current Assets</b>		
Stocks and work in progress	31	43
Debtors (Note 34)	3,484	2,576
Investments	13,778	11,556
Cash and bank	714	378
<b>Total Current Assets</b>	<b>18,007</b>	<b>14,553</b>
<b>Current Liabilities</b>		
Creditors (Note 34)	(4,622)	(4,521)
<b>Total Current Liabilities</b>	<b>(4,622)</b>	<b>(4,521)</b>
<b>Total assets less current liabilities</b>	<b>206,669</b>	<b>228,192</b>
Government grants deferred	(1,071)	(1,198)
Capital grants and contributions (Note 38)	(5,517)	(2,847)
Liability related to defined benefit pension scheme (Note 47)	(15,845)	(9,649)
<b>Total assets less liabilities</b>	<b>184,236</b>	<b>214,498</b>

## BALANCE SHEET (CONTD)

	31 March 2009 £'000	31 March 2008 £'000
<b>Financed by:</b>		
Revaluation Reserve	8,087	6,587
Capital Adjustment Account	181,446	208,250
Pensions Reserve (Note 47)	(15,845)	(9,649)
Capital Receipts Reserve	3,345	1,874
Deferred Capital Receipts	69	17
Major Repairs Reserve	477	797
General Fund Balance	1,734	2,112
Housing Revenue Account Balance	1,848	1,376
Earmarked Reserves	3,087	3,130
Collection Fund	(12)	4
<b>Total Net Worth (Note 41)</b>	<b>184,236</b>	<b>214,498</b>

These financial statements replace the un-audited financial statements authorised at the meeting of full held in the 24<sup>th</sup> June 2009.

Elizabeth Jones FCMA DMS

Head of Finance

28<sup>th</sup> September 2009

## CASH FLOW STATEMENT

	2008/09 £'000	2007/08 £'000
<b>Revenue Activities</b>		
<b>Cash Outflows:-</b>		
Cash paid to and on behalf of employees	11,567	11,518
Other operating cash payments	13,185	13,271
Housing benefit paid out	5,258	4,297
National non-domestic rate payments to national pool	22,249	21,755
Precepts paid	33,386	30,898
Housing Subsidy	3,562	3,229
Payments to the Capital Receipts Pool	245	678
<b>Sub total</b>	<b>89,452</b>	<b>85,646</b>
<b>Cash Inflows:-</b>		
Housing Rents (after rebates)	(5,729)	(5,539)
Council tax receipts	(32,650)	(30,668)
Non Domestic Rate Receipts	(22,431)	(21,233)
Revenue Support Grant	(1,030)	(1,165)
National non-domestic rate receipts from national pool	(7,403)	(6,944)
Department for Works and Pensions- grants for benefits	(16,179)	(15,351)
Other Government grants (Note 48)	(2,245)	(2,003)
Other revenue income	(2,672)	(3,471)
<b>Sub total</b>	<b>(90,339)</b>	<b>(86,374)</b>
<b>Net revenue activities cash flow</b>	<b>(887)</b>	<b>(728)</b>
<b>Returns on investment and servicing of finance</b>		
<b>Cash Outflows:-</b>		
Interest Paid	-	-
<b>Cash Inflows:-</b>		
Interest Received	(762)	(875)
<b>Returns on Investment and Servicing of Finance</b>	<b>(762)</b>	<b>(875)</b>
<b>Capital Activities</b>		
<b>Cash Outflows:-</b>		
Purchase of fixed assets	3,778	3,290
Other capital cash payments	-	-
<b>Sub Total</b>	<b>3,778</b>	<b>3,290</b>

## CASH FLOW STATEMENT (CONTD)

	2008/09 £'000	2007/08 £'000
<b>Cash Inflows:-</b>		
Sale of fixed assets	(1,846)	(606)
Capital grants received (Note 48)	(2,100)	(278)
Other capital cash receipts	(652)	(869)
<b>Sub Total</b>	<b>(4,598)</b>	<b>(1,753)</b>
<b>Net cash (inflow)/outflow before financing</b>	<b>(2,469)</b>	<b>(66)</b>
<b>Management of Liquid Resources</b>		
Net increase/(decrease) in short term deposits	2,133	(9)
<b>Net Cash Outflow/(Inflow) before Financing</b>	<b>(336)</b>	<b>(75)</b>
<b>Net Decrease (increase) in Cash</b>	<b>(336)</b>	<b>(75)</b>

## 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 2008/09.

### NOTE 2 – PRIOR PERIOD AND EXCEPTIONAL/EXTRAORDINARY ITEMS

There have been no exceptional items or prior year adjustments during 2008/09.

However, a review of fixed asset categories at 31 March 2009 has led to an amendment in the comparative figures at 31 March 2008. The value of Council Dwellings has reduced by £1.125m with the corresponding increase being reflected in Other Land and Buildings. The total value of the Council's fixed assets as at 31 March 2008 remains unchanged.

### NOTE 3 – PUBLIC FINANCE INITIATIVE (PFI) TRANSACTIONS

There have been no PFI transactions during 2008/09.

### NOTE 4 – TRADING SERVICES

	£'000	£'000
Markets are provided in Spalding, Holbeach, Long Sutton and Crowland	Turnover	(129)
	Expenditure	231
	(Surplus)/Deficit	102
	(Surplus)/Deficit Previous Year	97
The Council provides off street car parking predominantly within Spalding	Turnover	(273)
	Expenditure	257
	(Surplus)/Deficit	(16)
	(Surplus)/Deficit Previous Year	15
The Council lets forty six industrial units at Pinchbeck, Holbeach, Crowland and Sutton Bridge	Turnover	(103)
	Expenditure	90
	(Surplus)/Deficit	(13)
	(Surplus)/Deficit Previous Year	(25)

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

### NOTE 5 – SECTION 137 OF THE LOCAL GOVERNMENT ACT 1972

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The Council's expenditure under this power was £154,000, mainly on grants to voluntary organisations working in the local area. (£153,000 in 2007/08)

## NOTE 6 – PUBLICITY

Under the requirements of Section 5(1) of the Local Government Act 1986 the Council's spending on publicity was:

	2008/09 £'000	2007/08 £'000
Recruitment Advertising	19	17
Advertising Events and Functions	24	36
Advertising Facilities	19	16
Legal and Public Notices	19	22
Other Publicity	21	33
<b>Total</b>	<b>102</b>	<b>124</b>

## NOTE 7 – BUILDING REGULATIONS CHARGING ACCOUNT

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. South Holland District Council sets charges for work carried out in relation to building regulations with the aim of covering all costs incurred. However, certain activities performed by the Building Control function cannot be charged for, such as providing general advice and liaising with other statutory authorities.

The following statement shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

2007/08		2008/09		
		Chargeable £'000	Non Chargeable £'000	Total £'000
	Expenditure			
214	Employee expenses	254	107	361
-	Premises expenses	-	27	27
15	Transport expenses	18	6	24
33	Supplies and Services	29	7	36
78	Support Services	93	54	147
<b>340</b>	<b>Total Expenditure</b>	<b>394</b>	<b>201</b>	<b>595</b>
	Income			
(366)	Building Regulation Charges	(254)	-	(254)
(31)	Miscellaneous income	(8)	(8)	(16)
<b>(397)</b>	<b>Total Income</b>	<b>(262)</b>	<b>(8)</b>	<b>(270)</b>
<b>(57)</b>	<b>(Surplus)/Deficit for year</b>	<b>132</b>	<b>193</b>	<b>325</b>

## NOTE 8 – 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 £40,284  
(Previous year £40,284)

Amenity Grass Cutting for Lincolnshire County Council £27,985  
(Previous year £27,075)

De-littering and bin emptying for Environment Agency £1,000  
(Previous year £1,000)

## NOTE 9 – TRANSPORT ACT 2000

The Authority does not have any road charging schemes.

## NOTE 10 – BUSINESS IMPROVEMENT DISTRICT SCHEMES

The Council did not operate a Business Improvement District Scheme in 2008/09. There are however discussions in place to establish a BID scheme for Spalding during 2009/10.

## NOTE 11 – LOCAL AUTHORITY GOODS AND SERVICES ACT 1970

The Council has not provided any services under the Act to other public bodies.

## NOTE 12 – PARTNERSHIP SCHEMES UNDER SECTION 31 HEATH ACT 1999

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

## NOTE 13 – GENERAL GOVERNMENT GRANTS

	2008/09 £'000	2007/08 £'000
Revenue Support Grant	1,030	1,165
Local Authority Business Growth Incentive	140	165
Area Based Grant	118	-
<b>Total</b>	<b>1,288</b>	<b>1,330</b>

## NOTE 14 – MEMBERS' ALLOWANCES

The total of Members' allowances paid in the year amounted to £301,000 (£260,000 in 2007/08).

## NOTE 15 – OFFICERS EMOLUMENTS

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £10,000 was as follows:

Salary Band	2008/09 No of employees	2007/08 No of employees
£ 50,000 to £ 59,999	6	8
£ 60,000 to £ 69,999	2	-
£ 70,000 to £ 79,999	1	2
£ 80,000 to £ 89,999	1	-
£ 90,000 to £ 99,999	-	-
£100,000 to £109,999	-	1
£110,000 to £119,999	1	-

## NOTE 16 – 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:

	£'000
Revenue Support Grant	1,030
NNDR (Redistributed)	7,403
Rent Allowance Subsidy	4,575
Rent Rebates Subsidy	6,824
Council Tax Benefit Subsidy	4,780
Housing Subsidy – Paid to CLG	3,562

**Members/Officers:** Members are responsible for the direct control of the policies of the Council. During 2008/09 the Council sent a letter to all Members, Chief Officers and their Deputies 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 2008/09 were as follows:-

	£'000
Black Sluice Drainage Board	115
Kings Lynn Internal Drainage Board	21
North Level Internal Drainage Board	115
South Holland Internal Drainage Board	1,055
Welland and Deepings Internal Drainage Board	742
Parish Councils	524

#### NOTE 17 – AUDIT FEES

In 2008/09 South Holland District Council incurred the following fees relating to external audit and inspection.

	2008/09 £'000	2007/08 £'000
Fees payable to the audit commission with regard to external audit services carried out by the appointed auditor	99	103
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	15	14
<b>TOTAL</b>	<b>143</b>	<b>117</b>

#### NOTE 18 – SIGNIFICANCE OF THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account 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 Usable Capital Receipts balance rather than Council Tax.
- Retirement benefits are charged as amounts become payable to pension funds, rather than as future benefits are earned.

The General Fund balance comprises 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 39 summaries the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

**NOTE 19 – NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF  
MOVEMENT ON THE GENERAL FUND BALANCE**

	<b>2008/09 £'000</b>	<b>2007/08 £'000</b>
<b>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</b>		
Amortisation of Intangible Fixed Assets	<b>(65)</b>	(67)
Depreciation and Impairment of Fixed Assets	<b>(26,748)</b>	(1,963)
Excess of depreciation charged to HRA services over the Major Repairs Allowance element of Housing Subsidy	<b>(202)</b>	(181)
Government Grants Deferred amortisation	<b>486</b>	308
Revenue Expenditure Funded from Capital under Statute	<b>(165)</b>	(438)
Net gain on sale of fixed assets	<b>229</b>	4
Net Charges made for retirement benefits in accordance with FRS 17	<b>(1,989)</b>	(1,397)
<b>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</b>		
Minimum Revenue Provision	<b>19</b>	86
Capital expenditure charged in year to the General Fund Balance	<b>784</b>	900
Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	<b>(165)</b>	(521)
Employer's contributions payable to the Lincolnshire County Council Pension Fund	<b>1,679</b>	1,673
<b>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</b>		
Housing Revenue Account Balance	<b>472</b>	(146)
Net transfer to or from earmarked reserves	<b>(43)</b>	(236)
<b>Net additional amount required to be credited to the General Fund Balance for the year</b>	<b>(25,708)</b>	<b>(1,978)</b>

**NOTE 20 – MOVEMENT ON FIXED ASSETS – OPERATIONAL ASSETS**

	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant etc £'000</b>	<b>Infra- structure £'000</b>	<b>Community Assets £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>						
At 1 April 2008	194,937	17,151	2,527	1,670	671	216,956
Additions	2,999	117	205	102	20	3,443
Disposals	(109)	-	-	-	-	(109)
Reclassifications	-	35	-	-	-	35
Revaluations/Impairments	(30,702)	3,655	(41)	(105)	-	(27,193)
<b>31 March 2009</b>	<b>167,125</b>	<b>20,958</b>	<b>2,691</b>	<b>1,667</b>	<b>691</b>	<b>193,132</b>
<b>Depreciation and Impairments</b>						
At 1 April 2008	-	(119)	(1,958)	(127)	-	(2,204)
Charge for 2008/09	(2,066)	(790)	(206)	(147)	-	(3,209)
Disposals	-	-	-	-	-	-
Reclassifications	-	33	24	-	-	57
Revaluations	2,066	876	-	115	-	3,057
<b>31 March 2009</b>	<b>-</b>	<b>-</b>	<b>(2,140)</b>	<b>(159)</b>	<b>-</b>	<b>(2,299)</b>
<b>Balance Sheet value at 31 March 2009</b>	<b>167,125</b>	<b>20,958</b>	<b>551</b>	<b>1,508</b>	<b>691</b>	<b>190,833</b>
<b>Balance Sheet value at 31 March 2008</b>	<b>194,937</b>	<b>17,032</b>	<b>569</b>	<b>1,543</b>	<b>671</b>	<b>214,752</b>

**NOTE 20 – MOVEMENT ON FIXED ASSETS – NON OPERATIONAL ASSETS**

NOTE 20 – MOVEMENT ON FIXED ASSETS – NON OPERATIONAL ASSETS						
Operational assets	Surplus Assets	Assets under construction	Investment Properties			Total
	£'000	£'000	£'000			£'000
<b>Cost or valuation</b>						
At 1 April 2008	1,270	-	1,684			2,954
Additions	-	387	20			407
Disposals	(157)	-	(1,300)			(1,457)
Reclassifications	(661)	626	-			(35)
Revaluations/Impairments	307	-	(187)			120
<b>31 March 2009</b>	<b>759</b>	<b>1,013</b>	<b>217</b>			<b>1,989</b>
<b>Depreciation and Impairments</b>						
At 1 April 2008	-	-	-			-
Charge for 2008/09	-	-	-			-
Disposals	-	-	-			-
Reclassifications	-	-	-			-
Revaluations	-	-	-			-
<b>31 March 2009</b>	<b>-</b>	<b>-</b>	<b>-</b>			<b>-</b>
<b>Balance Sheet amount at 31 March 2009</b>	<b>759</b>	<b>1,013</b>	<b>217</b>			<b>1,989</b>
<b>Balance Sheet amount at 31 March 2008</b>	<b>1,270</b>	<b>-</b>	<b>1,684</b>			<b>2,954</b>

## NOTE 21 – CAPITAL EXPENDITURE AND FINANCING

	2008/09 £'000	2007/08 £'000
<b>Capital Investment</b>		
Intangible Assets	137	9
Operational Assets	3,443	2,955
Non-Operational Assets	407	-
Revenue Expenditure Funded from Capital under Statute	380	624
<b>Sources of Finance</b>		
Major Repairs Allowance	(2,386)	(1,204)
Capital Receipts	(106)	(207)
Direct Revenue Financing	(784)	(900)
Government Grants and Other Contributions	(585)	(771)
<b>Capital Expenditure met from Borrowing</b>	(506)	(506)

## NOTE 22 – COMMITMENTS UNDER CAPITAL CONTRACTS

	£'000
<b>Contractual commitments</b>	
Council House – Re-roofing	203
Council House – External Door Replacement	418
<b>Total</b>	<b>621</b>

**NOTE 23 – INFORMATION ON NUMBER OF ASSETS HELD**

	<b>31 March 2009</b>	<b>31 March 2008</b>
<b>Operational Assets</b>		
Council Dwellings (HRA)	3,906	3,908
Council Dwellings (Shared Ownership)	10	10
Council Dwellings (General Fund)	23	23
Arts Centre	1	1
Sports Facilities	2	2
Public Conveniences	10	10
Cemetery Chapels	2	2
Mortuary	1	1
Car Parks	13	13
Bus Station	1	1
Depots	2	2
Administration Buildings	1	1
Commercial and Industrial Properties	47	47
Investment Land and Buildings	2	2
<b>Non-Operational Assets</b>		
Investment Assets	4	5
Surplus Assets	10	11
Assets under Construction	2	-
<b>Infrastructure Assets</b>		
Sewerage Sites	59	59
Other Land	3	3
<b>Community Assets</b>		
Parks, Open Spaces and Play Areas	110	110
Allotments	2	2

## NOTE 24 – LEASES – DISCLOSURE BY LESSEES

### Disclosure in relation to operating leases in the notes to the accounts.

Vehicles- The authority uses refuse collection vehicles, tipper trucks, vans and mechanical road sweepers financed under the terms of an operating lease. The amount paid under these arrangements in 2008/09 was £546,000 (07/08 £490,000), being charged to the income and expenditure account.

The commercial vehicle lease runs from 1<sup>st</sup> August 2008 to 31<sup>st</sup> July 2011. The contract for the lease includes the provision of vehicles and maintenance. A payment (included in the above figures) for £383,000 was made at the start of the new lease for the period 1<sup>st</sup> August 2008 until 31<sup>st</sup> March 2009.

### Grounds Maintenance Vehicles-

The authority uses mowers, a tractor, greens machine, plant trailer, a van, caged pick ups and a truck for the Grounds Maintenance service. Payments were made for £85,000 in 2008/09 and £83,000 (2007/08). The lease ends in 2011.

### Commitments under Operating Leases –

The Council is committed at 31 March 2009 to making payments of £1,420,000 under operating leases, comprising the following elements:

	2008/09 £'000	2009/10 £'000	2010/11 onwards £'000
Leases expiring in 2010/11: Refuse and Recycling	546	619	619
Grounds Maintenance	85	87	95
Lease payments amounted to £631,000 in 2008/09 (£621,500 in 2007/08).			

## NOTE 25 – 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 lease values are either nominal or insignificant to the Financial Statements of the Authority.

## NOTE 26 – ASSETS RECOGNISED UNDER PFI

The Authority does not hold any assets recognised under PFI.

## NOTE 27 – VALUATION OF FIXED ASSETS

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

Non Housing Fixed assets were valued as at 1 April 2009 by Pygott and Crone, a RICS qualified valuer. The valuation bases were in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Properties regarded as operational were valued on the basis of open market value for the existing use or, where this could not be assessed because there

was no market for the asset, the depreciated replacement cost. Properties regarded as non-operational have been valued on the basis of open market value.

The Housing Fixed Assets in accordance with DETR Resource Accounting guidance were revalued at 1 April 2009 by Countrywide Surveyors. The basis of valuation for operational property is existing use value for non dwelling property, and existing use value for Social Housing for dwelling properties. The basis for non-operational property is open market value. The basis for intangible assets is fair market value.

### 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 and 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		
	2009 £'000	2008 £'000	2007 £'000	2009 £'000	2008 £'000	2007 £'000
<b>Operational Assets</b>						
Other Land & Buildings				20,958	17,032	14,685
HRA Council Dwellings				167,125	194,937	191,972
Vehicles, Plant and Equipment	551	569	589			
Intangible Assets	198	257	324			
Infrastructure Assets	258	243	213	1,250	1,300	1,300
Community Assets	691	671	671			
<b>Non-Operational Assets</b>						
Surplus Assets				759	1,270	1,112
Investment Properties				217	1,684	1,659
Assets under Construction				1,013	-	436

## NOTE 28 – 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 are separated, and as land has unlimited life it is not depreciated. Newly acquired assets are depreciated from mid-point of the year of acquisition. 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 economic benefit from the asset. The economic lives of the authority's building assets are, provided by the valuer as part of the five yearly valuation cycle. For equipment and vehicles, the economic lives are determined by the service manager using the asset, based on knowledge of the use of the asset. Examples 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, Sewerage Pumping Stations 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. Full revaluations of general fund assets were carried out as at 1 April 2009 and a desktop revaluation was carried out on HRA assets. Some impairments due to were identified which are particularly significant in respect of HRA assets.

Other information relating to depreciation such as cumulative depreciation, depreciation charges for the year, opening and closing asset balances for the year, additions and revaluations and disposals are contained within the Movements in Fixed Assets table on page 40.

## NOTE 29 – CHANGES IN DEPRECIATION METHODS

The Authority has not made any changes to its methods of depreciation.

## NOTE 30 – INTANGIBLE FIXED ASSETS

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

	<b>Total £'000</b>
<b>Opening Balance</b>	<b>257</b>
Expenditure in year	137
Amortisation and Impairment In year	(196)
<b>Closing Balance</b>	<b>198</b>

## NOTE 31 – CHANGES IN AMORTISATION METHODS FOR INTANGIBLE FIXED ASSETS

There have been no changes to the Authorities amortisation policy.

## NOTE 32 – ANALYSIS OF NET ASSETS EMPLOYED

	<b>2008/09 £'000</b>	<b>2007/08 £'000</b>
General Fund	18,536	19,541
HRA	165,700	194,957
<b>Total</b>	<b>184,236</b>	<b>214,498</b>

## NOTE 33 – LONG TERM DEBTORS

	2008/09 £'000	2007/08 £'000
<b>Opening Balance</b>	197	231
Advances during the year	196	111
Repayments during the year	(129)	(145)
<b>Closing Balance</b>	<b>264</b>	<b>197</b>
<b>The main long term debtors are:</b>		
Mortgages on Council House Sales	16	17
Car Loans to Staff *	190	176
Other Loans to Staff	4	4
Spalding Town Husbands	54	-
<b>Total</b>	<b>264</b>	<b>197</b>

\* Car Loans to staff 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. The cost of the market rate not being applied for 2008/09 stands at £4,000.

## NOTE 34 – CURRENT ASSETS AND LIABILITIES

Amounts falling due within one year

DEBTORS	2008/09 £'000			2007/08 £'000		
	Gross	Provision for Bad Debts	Net	Gross	Provision for Bad Debts	Net
Government Departments	660	-	660	66	-	66
Other Local Authorities	100	-	100	-	-	-
Housing Rents	324	(133)	191	314	(96)	218
Value Added Tax	168	-	168	218	-	218
Sundry Debtors	1,095	(172)	923	1,179	(35)	1,144
Capital Debtors	425	-	425	232	-	232
Non Domestic Rates	377	(143)	234	184	(78)	106
Council Tax	1,003	(220)	783	747	(155)	592
<b>Total</b>	<b>4,152</b>	<b>(668)</b>	<b>3,484</b>	<b>2,940</b>	<b>(364)</b>	<b>2,576</b>

CREDITORS	Current Year £'000	Previous Year £'000
Government Departments	1,487	1,373
Other Local Authorities	174	-
Sundry Creditors	1,615	2,205
Council Tax	693	578
Non Domestic Rates	614	197
Housing Rents	39	168
<b>Total</b>	<b>4,622</b>	<b>4,521</b>

### NOTE 35 – INTEREST IN COMPANIES

During the year the Council set up South Holland Local Housing Company, a Community Interest Company, in order to access social housing grant from the Homes and Communities Agency to build affordable homes within the District. It is intended that the Company will build homes for both social rent and shared equity with the first phase of 6 dwellings commencing in 2009. Although there were no financial transactions in 2008/09 it is envisaged that the Council will have to produce group accounts for 2009/10.

### NOTE 36 – FINANCIAL INSTRUMENTS

The Council is debt free at 31 March 2009 and as a result has not included any disclosure related to borrowing.

#### Financial Instrument Balances

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

	Long-term		Current	
	31 Mar 2009 £'000	31 Mar 2008 £'000	31 Mar 2009 £'000	31 Mar 2008 £'000
Loans and receivables	-	-	13,778	11,556
<b>Total Investments</b>	<b>-</b>	<b>-</b>	<b>13,778</b>	<b>11,556</b>

## Financial Instruments Gain/Losses

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses (STRGL) in relation to financial instruments are made up as follows.

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

2007/08	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Available-for-sale assets £'000	Total £'000
<b>Interest Income</b>	-	<b>887</b>	-	<b>887</b>
<b>Net gain/(loss) for the year</b>	-	<b>887</b>	-	

### 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 2009 of 0.69% to 1.86% for other loans receivable and payable
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values calculated are as follows:

	31 March 2009		31 March 2008	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Total Financial liabilities	1,615	1,615	2,205	2,205

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

	31 March 2009		31 March 2008	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Money Market Loans less than 1 year	13,778	13,797	11,556	11,556
Trade Debtors	1,520	1,520	1,411	1,411
Total loans and receivables	15,298	15,317	12,967	12,967

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. This guarantee to received interest above the current market rates increases the amount that the authority would receive if it agreed to early repayment of the loans.

### 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 minimize 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 themselves 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 Fitch ratings together with Sector's investment matrix to establish its counterparty list and the maximum term for investments which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, laid down by Fitch's Rating Services. 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 2009	Historical experience of default	Adjustment for market conditions at 31 March 2009	Estimated maximum exposure to default	Estimated maximum exposure at 31 March 2008
	£'000	%	%	£'000	£'000
Deposits with banks and financial institutions					
AAA rated counterparties	-	-	-	-	
AA rated counterparties	9,584	0	-	-	
A rated counterparties	4,194	0	-	-	
Other Counterparties	-	-	-	-	
Bonds – AAA Rates	-	-	-	-	
Total debtors	3,484	16.1	16.1	668	364
<b>Total</b>	<b>17,262</b>				

The Council's Investments at the 31 March 2009 were held in UK (70%) and Irish (30%) Institutions.

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

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

	31 March 2009 £'000	31 March 2008 £'000
Less than three months	973	811
Three to six months	729	608
Six months to one year	1,206	1,005
More than one year	576	480
<b>Total</b>	<b>3,484</b>	<b>2,904</b>

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 £304,000.

### 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 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 will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

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	(156)
Impact on Income and Expenditure Account	(156)
Share of overall impact credited to the HRA	(25)

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost.

**Price Risk** – The Council 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 37 – LONG TERM BORROWING**

The Authority does not hold long term borrowing.

#### **NOTE 38 – CAPITAL GRANTS AND CONTRIBUTIONS**

	Contributions £'000	Grants £'000	Total £'000
<b>Opening Balance</b>	<b>2,530</b>	<b>317</b>	<b>2,847</b>
<b>Add</b>			
In Year Contributions	994	2,100	3,094
<b>Less</b>			
Applied Contributions	(357)	(67)	(424)
<b>Closing Balance</b>	<b>3,167</b>	<b>2,350</b>	<b>5,517</b>

#### **NOTE 39 – INSURANCE PROVISIONS**

The Authority does not hold any significant insurance provision at 31 March 2009.

#### **NOTE 40 – PROVISIONS**

The Authority no longer holds any provisions other than bad debt provisions which are disclosed in Note 34.

## NOTE 41 – 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 2008 £'000	Net Movement in Year £'000	Balance 31 March 2009 £'000	Purpose of Reserve
Revaluation Reserve	6,587	1,500	8,087	Store of gains on revaluation of fixed assets not yet realised through sales (see below)
Capital Adjustment Account	208,250	(26,804)	181,446	Store of capital resources set aside to meet past expenditure (see below)
Usable Capital Receipts	1,874	1,471	3,345	Proceeds of fixed asset sales available to meet future capital expenditure (see below)
Deferred Capital Receipts	17	52	69	
Pension Reserve	(9,649)	(6,196)	(15,845)	Balancing account to allow inclusion of Pension liability in the Balance Sheet (see note 47)
Housing Revenue Account	1,376	472	1,848	Resources available to meet future running costs for council houses
Major Repairs Reserve	797	(320)	477	Resources available to meet investment in council
General Fund	2,112	(378)	1,734	Resources available to meet future running costs for non- HRA services
Earmarked Reserves	3,130	(43)	3,087	See below for full analysis
Collection Fund	4	(16)	(12)	Resources available to finance future General fund expenditure
<b>Total</b>	<b>214,498</b>	<b>(30,262)</b>	<b>184,236</b>	

Capital Adjustment Account	Current Year £'000
<b>Opening Balance</b>	<b>208,250</b>
Amortisation of Intangible Assets	(65)
Depreciation and Impairment of Fixed Assets	(29,016)
Depreciation transfer from Revaluation Reserve	125
Statutory Provision for the repayment of debt	19
Government grants deferred amortisation	486
Write down of deferred charges to be financed from capital resources	(165)
Financing of Capital Expenditure	
Capital Receipts	106
Direct Revenue Financing	784
Major Repairs Reserve	2,386
Disposal of Fixed Assets	
Carrying Value of Assets sold in year	(1,565)
Write out of Revaluation gains on assets sold in year	101
<b>Closing Balance</b>	<b>181,446</b>

Revaluation Reserve	Current Year £'000
<b>Opening Balance</b>	<b>6,587</b>
Revaluation surpluses in year	6,338
Depreciation and Impairment of Fixed Assets	(4,612)
Depreciation transferred to Capital Adjustment Account	(125)
Transfer to Capital Adjustment Account of revaluation gains following sale of assets	(101)
<b>Closing Balance</b>	<b>8,087</b>

<b>Usable Capital Receipts Reserve</b>	<b>General Fund £'000</b>	<b>Housing £'000</b>	<b>Total £'000</b>
<b>Opening Balance</b>	<b>498</b>	<b>1,376</b>	<b>1,874</b>
Receipts in year			
Sale of Assets	1,457	183	1,640
Easements	65	-	65
Repayment of Mortgages	-	2	2
Discounts Repaid	-	35	35
Financing of Capital Expenditure	(63)	(43)	(106)
Pooling of Housing Capital Receipts	-	(165)	(165)
<b>Closing Balance</b>	<b>1,957</b>	<b>1,388</b>	<b>3,345</b>

<b>Earmarked Reserves</b>	<b>Balance 1 April 2008 £'000</b>	<b>Movement in Year £'000</b>	<b>Balance 31 March 2009 £'000</b>
Affordable Housing Reserve	-	24	24
Benefits Development Reserve	213	(54)	159
Building Control Reserve	20	(20)	-
Capital Reserve	514	(197)	317
Climate Change Reserve	-	22	22
Community Cohesion Reserve	-	88	88
Community Development Reserve	85	(4)	81
Commuted Sums	62	(20)	42
Council Tax Reserve	380	(156)	224
Economic Development Reserve	119	(87)	32
Insurance Reserve	-	200	200
E-Government Reserve	106	(106)	-
Organisational Development Reserve	1,142	(97)	1,045
Local Development Framework Reserve	241	(21)	220
Repairs and Renewals Reserve			
Assets	221	148	369
ICT	-	243	243
Spalding Special Expenses	27	(6)	21
<b>Total</b>	<b>3,130</b>	<b>(43)</b>	<b>3,087</b>

## NOTE 42 – CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no material contingent liabilities as at 31 March 2009.

The following has been identified as Contingent Assets:

The Council is seeking recovery of VAT on excess car parking charges as a result of the ruling in the Fleming case. A claim for £277,000 has been submitted and is currently being assessed by HMRC.

The Council has reserved the right to make a claim for £361,000 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 43 – AUTHORISATION OF ACCOUNTS FOR ISSUE

The Financial Statements were authorised for issue on the 24th June 2009. Any events occurring after this date will not have been recognised within the statements. The accounts were authorised for use by the Head of Finance.

## NOTE 44 – EVENTS AFTER THE BALANCE SHEET DATE

There are no other significant events to be reported for the current year.

## NOTE 45 – TRUST FUNDS

The Council is custodian trustee for:

- IVO Day Care Centre
- Weston St Mary's Village Hall
- We are also trustee for Ayscoughfee Hall and Gardens and hold 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 Income and Expenditure Account.

Values placed on these assets by an external RICS qualified Valuer were Ayscoughfee Hall and Gardens £757,000, as at 1<sup>st</sup> April 2002, Sir Halley Stewart Playing Field £155,000, as at 31<sup>st</sup> March 2004. They are not recorded within the Authority's Balance Sheet. These assets are currently being re-valued.

Trust fund revenue account	Expenditure £'000	Income £'000	Net £'000
Ayscoughfee Hall & Gardens	433	(94)	339
Sir Halley Stewart Playing Field	61	(16)	45

## NOTE 46 – AMOUNTS DUE TO OR FROM RELATED PARTIES

There are no matters to be disclosed.

## NOTE 47 – RETIREMENT BENEFITS – FRS 17 DISCLOSURE

### 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 Service 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	2008/09 £'000	2007/08 £'000
<b>Net Cost of Services</b>		
• current service cost	992	1,471
• past service costs	419	24
<b>Net Operating Expenditure</b>		
• interest cost	3,357	2,909
• expected return on assets in the scheme	(2,779)	(3,007)
<b>Net Charge to the Income and Expenditure Account</b>	<b>1,989</b>	<b>1,397</b>
Statement of Movement in the General Fund Balance	2008/09 £000's	2007/08 £000's
<b>Reversal of net charges made for retirement benefits in accordance with FRS 17</b>	<b>(1,989)</b>	<b>(1,397)</b>
Actual amount charged against the General Fund Balance for pensions in the year		
<b>Employer's contributions payable to scheme</b>	<b>1,679</b>	<b>1,673</b>

The Past service cost figure for 2008/09 includes £13,000 in respect of efficiency and other early retirements and £406,000 in respect of retrospective changes to member benefits that came into effect on 1 April 2008.

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £5,886,000 (£1,692,000 2007/08) 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 £8,750,000.

#### Assets and liabilities in relation to retirement benefits

	2008/09 £'000	2007/08 £'000
<b>Reconciliation of present value of the scheme liabilities:</b>		
1 April	48,586	53,809
Current Service Cost	992	1,471
Interest Cost	3,357	2,909
Contributions by scheme participants	484	457
Actuarial gains and losses	(4,379)	(8,248)
Benefits paid	(1,746)	(1,836)
Past service costs	419	24
<b>31 March</b>	<b>47,713</b>	<b>48,586</b>
<b>Reconciliation of fair value of the scheme assets:</b>		
1 April	38,937	42,192
Expected rate of return	2,779	3,007
Actuarial gains and losses	(10,265)	(6,556)
Employer contributions	1,679	1,673
Contributions by scheme participants	484	457
Benefits paid	(1,746)	(1,836)
<b>31 March</b>	<b>31,868</b>	<b>38,937</b>

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 respective markets.

The actual return on scheme assets in the year has reduced by £7,327, 000 (2007/08 £2,103,000)

## Scheme history

	2008/09 £'000	2007/08 £'000	2006/07 £'000	2005/06 £'000	2004/05 £'000
Present Value of liabilities	(47,713)	(48,586)	(53,809)	(53,920)	(45,319)
Fair value of assets	31,868	38,937	42,192	39,081	31,387
<b>Deficit (Surplus) in the scheme</b>	<b>(15,845)</b>	<b>(9,649)</b>	<b>(11,617)</b>	<b>(14,839)</b>	<b>(13,932)</b>

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £47.7m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative over all balance of £15.8m.

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 total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2010 is £1.6m.

### 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 morality 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 1<sup>st</sup> April 2007.

The principal assumptions used in their calculations have been:

	2008/09	2007/08
Long-term expected rate of return on assets in the scheme:		
Equity Investments	7.0%	7.7%
Bonds	5.6%	5.7%
Property	4.9%	5.7%
Cash	4.0%	4.8%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	19.6 years	
Women	22.5 years	
Longevity at 65 for future pensioners:		
Men	20.7 years	
Women	23.6 years	
Rate of inflation	3.1%	3.6%
Rate of increase in salaries	4.6%	5.1%
Rate of increase in pensions	3.1%	3.6%
Rate for discounting scheme liabilities	6.9%	6.9%
Take-up of option to convert annual pension into retirement lump sum	62.5%	25%

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

	31 March 2009	31 March 2008
Equity Investments	64.6%	68.1%
Bonds	20.9%	16.9%
Property	13.7%	13.7%
Cash	0.8%	1.3%

## History of experience gains and losses

The actuarial gains identified as movements on the Pension Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009.

	2008/09 %	2007/08 %	2006/07 %	2005/06 %	2004/05 %
Difference between the expected and actual return on assets	(32.2)	(16.9)	0.3	13.4	4.0
Experience gains and losses on liabilities	-	0.6	0.2	-	(2.2)

**NOTE 48 – 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	2008/09 £'000	2007/08 £'000
Deficit for the year on the Income and Expenditure Account	(26,086)	(1,971)
Surplus/(Deficit) on the Collection Fund	(147)	179
Adjustment for non-cash items		
Depreciation and Impairment of Fixed Assets	29,016	4,145
Amortisation of Intangible Assets	65	67
Government grants deferred amortisation	(486)	(308)
Net gain on the sale of fixed assets	(229)	(4)
FRS 17 Pensions- Cash Adjustment	310	(276)
Other Non Cash Adjustments	18	(169)
Items included elsewhere within the Cash Flow Statement		
Investment Income	(762)	(875)
Accruals adjustment		
(Increase)/Decrease in Stocks	12	32
(Increase)/Decrease in Debtors	(716)	155
Increase/(Decrease) in Creditors	(108)	(247)
<b>Net Cash Flow from Revenue Activities</b>	<b>887</b>	<b>728</b>

Reconciliation of the Movement in cash to the Movement in the net debt	Balance 1 April 2008 £'000	Cash Flow £'000	Balance 31 March 2009 £'000
Cash at bank	378	336	714
<b>Movement</b>	<b>378</b>	<b>336</b>	<b>714</b>

<b>Analysis of other Government Grants</b>			
<b>Body</b>	<b>Purpose</b>	<b>2008/09 £'000</b>	<b>2007/08 £'000</b>
<b>Revenue Grants</b>			
Department for Works and Pensions	Housing Benefit Administration	(542)	(512)
Communities and Local Government (CLG)	Housing and Planning Delivery Grant	(270)	(268)
Communities and Local Government	Area Based Grant	(118)	-
Communities and Local Government	Disabled Facilities Grant	(194)	(185)
Lincolnshire County Council	Supporting People Grant	(632)	(548)
Communities and Local Government	Local Authority Business Growth Initiative	(140)	(164)
Communities and Local Government	Defective Dwellings	-	(66)
Communities and Local Government	Homelessness	(55)	(44)
Environment, Food and Rural affairs	Recycling	(76)	(69)
Department of Transport	Travel Concession Grant	(177)	(61)
Other Grants		(41)	(86)
<b>Total Revenue Grants</b>		<b>(2,245)</b>	<b>(2,003)</b>
<b>Capital Grants</b>			
Communities and Local Government	Regional Housing Capital Pot	(322)	(192)
Communities and Local Government	Gypsy and Travellers	(1,753)	-
Department for Works and Pensions	Introduction of Local Housing Allowance	-	(86)
Culture, Leisure and Sport	Swimming	(25)	-
<b>Total Capital Grants</b>		<b>(2,100)</b>	<b>(278)</b>

## SUPPLEMENTARY FINANCIAL STATEMENTS

### HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT

	2008/09 £'000	2007/08 £'000
<b>Income</b>		
Dwelling Rents	(11,163)	(10,331)
Non Dwelling Rents	(119)	(122)
Charges for Services & Facilities	(1,503)	(1,318)
HRA Subsidy Receivable (Note 7)	-	(42)
<b>Total Income</b>	<b>(12,785)</b>	<b>(11,813)</b>
<b>Expenditure</b>		
Repairs and Maintenance	2,873	3,814
Supervision and Management	3,136	2,122
Rents, Rates, Taxes and Other Charges	20	55
Negative HRA Subsidy Payable (Note 7)	3,654	3,225
Depreciation (Note 3)	2,268	2,183
Impairment of Fixed Assets (Note 4)	24,511	911
Increase in Bad Debt Provision	49	37
<b>Total Expenditure</b>	<b>36,511</b>	<b>12,347</b>
<b>Net Cost of HRA Services as included in the whole authority Income and Expenditure Account</b>	<b>23,726</b>	<b>534</b>
HRA services share of Corporate and Democratic Core	193	182
HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services	77	-
<b>Net Cost of HRA Services</b>	<b>23,996</b>	<b>716</b>
(Gain) or loss on sale of HRA fixed assets	(110)	-
Interest Payable and similar charges	62	(23)
Interest and investment income	(134)	
Pensions interest cost and expected return on pensions assets (Note 9)	107	(18)
<b>(Surplus) / Deficit for the year on HRA services</b>	<b>23,921</b>	<b>675</b>

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

	<b>2008/09 £'000</b>	<b>2007/08 £'000</b>
(Surplus) / deficit for year on the HRA Income and Expenditure Account	23,921	675
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year (Note 10)	(24,393)	(529)
<b>(Increase)/Decrease in the Housing Revenue Account Balance</b>	<b>(472)</b>	<b>146</b>
<b>Housing Revenue Account Balance brought forward</b>	<b>(1,376)</b>	<b>(1,522)</b>
<b>Housing Revenue Account Balance carried forward</b>	<b>(1,848)</b>	<b>(1,376)</b>

## 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%.

Analysis of Housing Fixed Assets Net Book Value	At 31 March 2009		At 31 March 2008	
	EUV-SH £'000	EUV-VP £'000	EUV-SH £'000	EUV-VP £'000
<b>Operational Assets</b>				
Dwelling stock	167,125	334,250	194,937	389,810
Other Land and Buildings	1,150	n/a	1,125	n/a
Infrastructure – Housing Sewerage	1,250	n/a	1,300	n/a
Vehicles, Plant and Equipment	87	n/a	59	n/a
<b>Non Operational Assets</b>				
Land held for development	208	n/a	55	n/a
<b>Intangible Fixed Assets</b>	6	n/a	14	n/a
<b>Total</b>	<b>169,826</b>	<b>334,250</b>	<b>197,490</b>	<b>389,810</b>

### NOTE 2 – HOUSING STOCK

The Council was responsible for managing 3,906 dwellings at 31 March 2009 (3,908 at 31 March 2008). The reduction is due to sales under the right to buy scheme. This figure excludes shared ownership properties (10 dwellings).

The stock is analysed below using the property type and age criteria employed by the Department for Communities and Local Government.

Analysis of Housing Stock at 31 March 2009					
	1 Bed	2 Bed	3 Bed	4 Bed	Total
Low rise flats up to 2 storey	76	130	-	-	206
Medium rise flats of 3-5 storey	-	24	-	-	24
Houses and Bungalows	681	1,328	1,235	11	3,255
Non Traditional Dwellings	-	52	369	-	421
<b>Total</b>	<b>757</b>	<b>1,534</b>	<b>1,604</b>	<b>11</b>	<b>3,906</b>

### NOTE 3 - DEPRECIATION

	2008/09 £'000	2007/08 £'000
Depreciation		
Dwelling Stock	2,066	2,002
Other Land and Buildings	57	56
Infrastructure - Housing Sewerage	116	105
Equipment	22	11
	<b>2,261</b>	<b>2,174</b>
Amortisation		
Intangible Assets	7	9
<b>Total</b>	<b>2,268</b>	<b>2,183</b>

### NOTE 4 – IMPAIRMENT OF HOUSING FIXED ASSETS

The impairment charge of £24.511m included within the HRA income and Expenditure Account has arisen as a result of downward revaluation of the HRA's assets as at 31 March 2009 (£21.501m) and enhancement expenditure incurred during the year, which in accordance with valuation report, was considered not to increase the value of the Council's housing stock at 31 March (£3.010m). The decrease in the revaluation, as advised by our valuers, at 31 March 2009 reflects the impact of the downturn in house prices since the previous valuation. The impairment loss has no impact on the HRA balances as a compensating adjustment is made and shown in the Statement of Movement on the HRA.

### NOTE 5 – HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE AND FINANCING

	2008/09 £'000
<b>Housing Capital Accrued Expenditure and Financing</b>	
<b>Expenditure</b>	
Improvements and Enhancements to Council Dwellings	2,847
Improvements to Wastewater Treatments	55
Disabled Facility Grants	151
Improvements to Sheltered Accommodation	78
Information Systems	18
Choice Based Lettings	11
<b>Total</b>	<b>3,160</b>
<b>Financing</b>	
Borrowing	506
Capital Receipts	43
Major Repairs Reserve	2,386
Direct Revenue Financing	215
External Contributions	10
<b>Total</b>	<b>3,160</b>

## NOTE 6 – HOUSING REVENUE ACCOUNT CAPITAL RECEIPTS

	2008/09 £'000	2007/08 £'000
<b>Housing Revenue Account Capital Receipts</b>		
<b>Usable Capital Receipts at 1 April</b>	<b>1,376</b>	<b>1,210</b>
Right to buy sales in relation to dwellings	185	697
Mortgage repayments	2	3
Discounts on Right to buy repaid	35	4
Administration costs	(2)	(10)
Receipts used to finance capital expenditure	(43)	(7)
Receipts Pooling to CLG	(165)	(521)
<b>Usable Capital Receipts at 31 March</b>	<b>1,388</b>	<b>1,376</b>

## 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:

	2008/09 £'000	2007/08 £'000
<b>Defective Housing Repurchase</b>	-	<b>(42)</b>
<b>Housing Element</b>		
Prior year adjustments	110	4
Management and Maintenance Allowance	4,921	4,739
Major Repairs Allowance	2,066	2,001
Rental Constraint Allowance	-	187
Charges for Capital	307	370
<u>Less</u>		
Assumed Rental Income	(11,057)	(10,524)
Assumed Interest on Receipts	(1)	(2)
<b>Amount Payable</b>	<b>3,654</b>	<b>3,225</b>

## NOTE 8 – RENT ARREARS

The net rent arrears at 31 March 2009 amounted to £156,000 (£212,000 in 2007/08) and is analysed as follows:

	31 March 2009 £'000	31 March 2008 £'000
<b>Rent Arrears Due From</b>		
Current Tenants	37	109
Former Tenants	119	101
Garages	-	2
<b>Total</b>	<b>156</b>	<b>212</b>
These arrears included all charges due from tenants: rents, rates and other charges.		
Provision for doubtful debts	133	96

## NOTE 9 – RETIREMENT BENEFITS

Note 47 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.

	2008/09 £'000	2007/08 £'000
<b>HRA Income and Expenditure Account</b>		
Net Cost of Services		
Current Service Cost	184	278
Past Service Cost	77	-
Net Operating Cost		
Interest Cost	623	548
Expected Return on assets in the scheme	(516)	(566)
<b>Net charge to the HRA Income and Expenditure Account</b>	<b>368</b>	<b>260</b>
<b>Statement of movement on the HRA balance</b>		
Net charges made for retirement benefits in accordance with FRS 17	(368)	(260)
Actual amount charged against the HRA Balance for pensions in the year		
Employer's contributions payable to scheme	319	316

**NOTE 10 –STATEMENT OF MOVEMENT ON THE HRA BALANCE**

	2008/09 £'000	2007/08 £'000
<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the year</b>		
Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements	(24,512)	(922)
Gain or loss on sale of HRA fixed assets	110	-
Net charges made for retirement benefits in accordance with FRS 17	(368)	(260)
<b>Items not included in the HRA Income and Expenditure Account but included in the Movement on HRA Balance for the year</b>		
Transfer from Major Repairs Reserve	(202)	(181)
Transfer to Earmarked Reserves	45	-
Employer's contributions payable to the Lincolnshire County Council Pension Fund and retirement benefits payable direct to pensioners	319	316
Capital Expenditure funded by the HRA	215	518
<b>Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year</b>	<b>(24,393)</b>	<b>(529)</b>

## 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.

Following provision for depreciation, a sum not less than the MRA, must be transferred to the Major Repairs Reserve (MRR) to offset capital expenditure charged to the account. Unspent MRA funds may be carried over from one year to the next.

	2008/09 £'000	2007/08 £'000
<b>Balance at 1 April</b>	797	-
Transfer from Capital Adjustment Account	2,268	2,182
Transfer from Housing Revenue Account Depreciation on non-dwellings	(202)	(181)
Financing of Capital Expenditure	(2,386)	(1,204)
<b>Balance at 31 March</b>	<b>477</b>	<b>797</b>

## COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

	2008/09 £'000	2007/08 £'000
<b>Income</b>		
Income from Council Tax (Note 1)	(32,879)	(30,855)
Transfers from General Fund Council Tax Benefit	(4,842)	(4,379)
Income collectable from Business Rate payers (Note 2)	(22,205)	(21,565)
Contributions Towards previous year's estimated Collection Fund deficit	-	(91)
<b>Total Income</b>	<b>(59,926)</b>	<b>(56,890)</b>
<b>Expenditure</b>		
Precepts and Demands		
Lincolnshire County Council	28,219	26,917
Lincolnshire Police Authority	4,578	3,588
South Holland District Council	4,826	4,604
Business Rates		
Payment to national pool	22,092	21,452
Allowance for costs of collection	113	113
Bad and Doubtful debts		
Write-offs	108	29
Provisions	65	8
Contributions Towards previous year's estimated Collection Fund surplus	72	-
<b>Total Expenditure</b>	<b>60,073</b>	<b>56,711</b>
<b>(Surplus)/Deficit for the year</b>	<b>147</b>	<b>(179)</b>
<b>Fund Balance Brought Forward</b>	<b>(35)</b>	<b>144</b>
<b>Fund Balance Carried Forward</b>	<b>112</b>	<b>(35)</b>

## 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, £1,362.28 (2007/08 £1,287.66), 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	26	24.50	5/9	13.7
A	13,802	12,291.05	6/9	8,194.0
B	7,788	7,146.15	7/9	5,558.1
C	9,177	8,873.55	8/9	7,887.6
D	3,718	3,564.25	9/9	3,564.3
E	1,600	1,541.40	11/9	1,883.9
F	338	324.80	13/9	469.2
G	96	88.05	15/9	146.8
H	6	5.50	18/9	11.0
Band D Equivalents				27,728.6
Less: Allowance for non-collection				0.996
<b>District Tax Base</b>				<b>27,617.6</b>

### 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 2008/2009 there are two multipliers, the small business non-domestic rating multiplier of 45.8p and the non-domestic rating multiplier of 46.2p. 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 2009 was £51.413m (2008 £50.199m)

### **NOTE 3 – COLLECTION FUND SURPLUS**

As at 31 March 2009 the Collection Fund shows a deficit of £112,000 (2007/08 surplus £35,000)

This will be apportioned between South Holland District Council £12,000, Lincolnshire County Council £87,000 and Lincolnshire Police Authority £13,000 in future years.

**South Holland District Council**  
**ANNUAL GOVERNANCE STATEMENT**

**Scope of responsibility**

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.
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.
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](http://www.sholland.gov.uk)
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'. During the year the Council applied for a re-categorisation of its Comprehensive Performance Assessment rating. The Council has been rated as Excellent..

The purpose of the governance framework

5. 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.
6. 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.
7. The governance framework has been in place at the Authority for the year ended March 2008 and up to the date of approval of the Statement of Accounts.

## **The governance environment**

### **Purpose and vision**

8. A clear statement of the Council's purpose, vision and priorities for the next five years is set out in its Corporate Plan 2009-14. For each priority area there are clear outcomes for citizens and service users together with identified actions that will deliver the vision. These are translated into more specific aims and objectives in more detailed service strategies and plans. These are reviewed and scrutinised annually. Achievement is monitored regularly by individual services, the Senior Management Team and formally by Cabinet and Scrutiny quarterly.

9. 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. Alignment with strategies such as the Lincolnshire Sustainable Community Strategy, the Local Area Agreement and the Rural Action Zone partnership plan ensure recognition of sub-regional aims and provide the foundation for working with our partners. The inclusive and complimentary nature of this work enables two tier government to operate successfully in South Holland and demonstrates effective area governance arrangements.

### **Partnership working**

10. 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 Audit Commission stakeholder survey in November 2008 shows we have done this with considerable success.

11. All partnership operations are reviewed annually 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.

### **Effective Service Delivery**

12. 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. 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, the new national indicators and the refreshed LAA for Lincolnshire. Alongside the ICT system is being developed further to improve performance reporting and provide assurance on data quality. Sickness management and benefits performance remain areas of concern and, in addition to the regular performance monitoring; improvement plans are in place to address both areas. During the year the Audit Commission issued the Cultural Services inspection report, the Authority was rated as providing a fair service that has promising prospects for improvement.

13. 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.

### **Clarity of roles, responsibilities and required behaviors**

14. 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.

15. 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. It monitors the effectiveness of the implementation of the code of conduct and makes recommendations in relation to any alleged breach of the code. During the year there were no findings of breaches of the Code by members. The role of the Standards Committee has grown under the provisions of Part 10 of the Local Government and Public Involvement in Health Act 2007. A review of how the new responsibilities are operating will be required during 2009/10.

16. Employees are also subject to a code of conduct (currently being revised) 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). Advice on these is embedded in training courses through the management development programme and at induction.

### **Financial and Risk Management**

17. 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.

18. 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 have experienced difficulties with the delivery of a major housing contract, this has been reviewed by a member task group that has put forward recommendations to Cabinet.

19. The Council's risk management arrangements are embedded in its Corporate Risk Management Strategy and risk registers. These identify both strategic 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 review our risk management arrangements and re-design the role of the 'risk manager' so that more value was added the Council. 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. A new Risk Strategy was approved this year paying particular attention to strengthening roles, providing clearer links between business plan and project documents to the risk registers. 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. A new Business Continuity strategy was also approved.

### **Legal and regulatory compliance**

20. 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). 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. The full report was reviewed by the performance monitoring panel.

### **Member and officer development**

21. The Council has Investors in People accreditation and is committed to the development of Members and staff at all levels of the organisation. 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. Prior to the formation of the Steering Group member training was arranged through a Member Development Programme prepared by the Member Services Manager in liaison with Directors, Heads of Service and relevant elected members. The Programme has been strengthened by the regular input of this Steering Group, with continual improvements made to the induction programme for new members, identification of training needs and a more strategic approach to the delivery of member training.

During September 2008, the Council received a diagnostic check on member development at South Holland completed by Local Government East Midlands assessors and the results of the diagnostic check have formed the basis of an action

plan for the Steering Group which is being actively progressed. During 2008/09 the Steering Group have drafted a Member Development Curriculum which provides a more strategic approach to the delivery of member development and is significantly member led through the Steering Group inputting their experiences and views on development required for elected members at various levels. The Steering Group have also explored learning styles and team styles and the information obtained from this will be used to target development and training to meet individual needs, where appropriate. During April 2009 the Member Services Manager commenced Personal Development Reviews for all elected members and this is due to be completed June 2009. The next key target for the Steering Group is to ensure that the Council has addressed areas for improvement as identified in the diagnostic check and prepare for full assessment of the Member Development Charter in 2009.

## **Community Engagement**

22. 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. Taking a more strategic approach to engagement, a new community engagement policy was agreed in January 2009 which provides a much stronger framework for addressing the barriers to engagement and a clear programme of action for improving exchange of information, consultation and empowerment. We also have a new web strategy that we will be implementing in 2009/10.

## **Process for maintaining and reviewing the governance framework's effectiveness**

23. 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.

24. 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 2008/09 have included further progression against the new Equality Standard for Local Government Scheme. In addition the "A list" policy register which lists all the policies and strategies that are critical to the strategic direction and corporate management of the Council has been reviewed and updated.

25. 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 recommended to the Senior Management Team that improvements are made to the monitoring of audit recommendations and this has now been put into place. The Committee also asked for further reports on contract documentation and procurement processes.

26. The Head of Finance has provided the Internal Audit service through a partnership 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, partial or no assurance by internal audit. During the year there have been three final reports issued where assurance could not be given, Pre-contract, Creditors and ICT infrastructure. Subsequent audit reports have been issued on pre-contract and procurement giving substantial assurance, a new suite of ICT security policies are due to be issued by the end of June and work to upgrade the financial ledger will resolve the creditor issues.

27. 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. We have a new contract that will be operational from 2009/10 and will deliver further efficiencies in future years.

28. 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 accounting statements and related notes of South Holland District Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the 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 prepared by the Audit Commission.

### **Respective responsibilities of the Responsible Financial Officer and auditor**

The Responsible Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial 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 accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority 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 financial 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 accounting statements, and consider whether it is consistent with the audited 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 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 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 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 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 accounting statements and related notes.

## **Opinion**

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 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 specified by the Audit Commission for principal local authorities. 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 February 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 2009.

### **Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

**John R Cornet**

**District Auditor**

**Audit Commission, 2nd Floor, Witham House, Canwick Road, Lincoln LN5 8HE**

**Date: 22<sup>nd</sup> October 2009**

## **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 any 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 those 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
- 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 debt**

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.

### **Business Improvement District (BID) Scheme**

BID projects benefit a particular area and are financed (in whole or part) by a BID levy paid by the non-domestic ratepayers in the BID area.

### **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 public services. 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 statements 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 fairly" 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

### **Commutated sums**

Commutated 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.

### **Comprehensive Area Assessment**

From 1 April 2009, Comprehensive Area Assessment (CAA) will assess whether partnerships are achieving their aims for their area.

CAA will focus on:

- joint working between councils and their partners in delivering the area's priorities, as agreed in the local area agreement (LAA) and sustainable community strategies
- how the quality of people's lives is improved.

### **Comprehensive Performance Assessment (CPA)**

The Comprehensive Performance Assessment (CPA) was introduced by a government white paper in December 2001. Inspections began in 2002 and were carried out by the Audit Commission, as a means of bringing together the wider audit and inspection framework for local government to produce an overall assessment of council performance.

### **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 lump sum and 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**

Amounts due to an Authority but unpaid at the balance sheet date.

### **Depreciation**

The 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 of obsolescence through technological or other changes.

### **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. They apply to all organisations preparing Accounting Statements in the UK.

### **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 the local taxpayers and 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 general purpose.

### **Housing Benefits**

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

### **Income**

This is the money that the Council receives or expects to receive from any source, including fees, charges, sales, grants 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 of 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**

Interest in land and / or buildings which is held for its investment potential, rather than its use in the provision of the Council's services to the public 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 cash overdrawn.
- A deferred liability is a sum of money that will not become payable until some point after the next accounting period or is paid off over a number of accounting periods.

### **Local area agreement**

A 3 year agreement between Central Government and the local area. The agreement sets out priority issues for local action and what partners will deliver.

### **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 any transaction, or set of transactions. An item considered to be material where its omission or misstatement would reasonably change the substance of the information presented in the accounts.

### **Minimum Revenue Provision**

The minimum amount which must be charged to the authority's revenue account in each financial year and is set aside for debt repayment.

### **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 the accumulative amount of 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 should not be apportioned to services.

### **Non Operational Assets**

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

### **Operational Assets**

Fixed assets owned by South Holland District Council and used to deliver services, such as Land, buildings and equipment.

### **Operating Leases**

A lease 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**

Those events, both favorable and unfavorable, 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 1<sup>st</sup> April 2004, under the new capital financing requirements, authorities will have to pool 75% of all housing right to buy capital receipts and 50% of all other housing capital receipts.

### **Precept**

The amount that the Council is required to collect from council tax payers to fund another, non tax collecting Authority's expenditure. Precepts are issued by Lincolnshire County Council, Lincolnshire Police Authority and Parish and Town Councils.

### **Primacy of Legislative Requirements**

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

### **Private Finance Initiative (PFI)**

The Private Finance Initiative (PFI) is a procurement route established in 1995. It is an important route for government spending on assets, as it transfers significant risks to the private sector.

### **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.

### **Specific Reserves**

Reserves set aside for specific purposes.

### **Statement of Recommended Practice (SORP)**

A guidance publication which interprets the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.

### **Support Service**

Costs relating to support functions e.g. Accounting Services, Human Resources, Organisational Development which are recharged to 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.