

**SOUTH HOLLAND  
DISTRICT COUNCIL**

**STATEMENT OF  
ACCOUNTS**

**(Produced in accordance with the  
Amended Accounts and Audit  
Regulations 2006)**

**For the Year Ended 31 March 2008**

# STATEMENT OF ACCOUNTS

2007/08

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## EXPLANATORY FOREWORD

I am pleased to introduce this Financial Statement for 2007/08. This foreword gives you a guide to the most significant matters reported in the accounts. Our Annual Report will include further summary financial details.

Elizabeth Jones FCMA DMS  
Head of Finance

### 1. The purpose of the Statements and the relationships between them

#### **Income and Expenditure Account**

This reports the net cost for the year of all the functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers.

#### **Statement of the Movement on the General Fund Balance**

This statement adds and removes items which are relevant to Local Authority accounts yet not apparent within the standard Income and Expenditure Account.

#### **Statement of Total Recognised Gains and Losses**

This statement records all gains and losses recorded within the Income and Expenditure Account and Balance Sheet.

#### **Balance Sheet**

This sets out the financial position of the Council on 31 March 2008. It shows the balances and reserves at the Council's disposal and its long term indebtedness, the fixed and net current assets employed in its operations, and summarised information on fixed assets held.

#### **Cash Flow Statement**

This summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

#### **Housing Revenue Account Income and Expenditure Account**

Each local authority must account separately for its own housing provision as defined in Schedule 4 of the Local Government and Housing Act 1989. This account shows the major elements of housing revenue expenditure: - maintenance, administration, and capital financing costs – and how these costs are met by rents, subsidy and other income.

#### **Statement of the Movement on the Housing Revenue Account Balance**

This statement adds and removes items which are relevant to Local Authority accounts yet not apparent within the standard Housing Revenue Account Income and Expenditure Account.

#### **Collection Fund**

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

## 2. Performance against our budgets

The main components of the General Fund budget for 2007/08 and how these compare with actual income and expenditure are set out below.

	Original Budget 2007/08 £000's	Outturn 2007/08 £000's	Difference £000's	Outturn 2006/07 £000's
<b>Budgeted Expenditure</b>				
Chief Executive	478	399	(79)	381
Assistant Chief Executive	181	275	94	127
Economic & Community Development	2,633	2,858	225	2,694
Community & Neighbourhoods Planning & Development	4,349	4,477	128	4,046
Organisational Development	822	1,154	332	824
Customer, Legal and Member Services	20	113	93	118
Finance	1,124	1,047	(77)	859
Housing & Property	351	(507)	(858)	587
Internal Drainage Board Levies	318	455	137	242
	1,953	1,953	-	1,898
<b>Total District Council Expenditure</b>	<b>12,229</b>	<b>12,224</b>	<b>(5)</b>	<b>11,776</b>
Payments to Parish Councils	474	474	-	463
<b>Total District Expenditure</b>	<b>12,703</b>	<b>12,698</b>	<b>(5)</b>	<b>12,239</b>
<b>Government Grants:</b>				
Revenue Support Grant	(1,165)	(1,165)	-	(1,247)
Business Rate Pool Contribution	(6,944)	(6,944)	-	(6,462)
Collection Fund (Surplus)/Deficit	11	11	-	22
<b>Collection Fund:</b>				
General Expenses	(3,959)	(3,959)	-	(3,803)
Spalding Special Expenses	(172)	(174)	(2)	(171)
Parish Councils	(474)	(474)	-	(463)
<b>Total Financing</b>	<b>(12,703)</b>	<b>(12,705)</b>	<b>(2)</b>	<b>(12,124)</b>
<b>Movement in Balances</b>	<b>-</b>	<b>(7)</b>	<b>(7)</b>	<b>115</b>

Major differences between the original budget and the outturn are as follows:

- The authority exceeded its expectations on investment income by £538,000 due to better interest rates and cash balances. This had been identified throughout the year.
- The additional investment income was used to fund the income shortfalls in Development Control, Building Control and Land Charges and overspends on housing and grounds maintenance. However, investment income was also set aside to fund future repairs and renewals.

The Housing Revenue Account showed an overspend of £145,699 on the original budget in the main due to increases in response repairs and consultancy costs associated with the review of the Construction Services Unit.

The budget for the 2007/08 Capital Programme started the year at £5,739,751 and revised to £4,195,968. The outturn for the year was £3,588,145 giving an underspend against final budget of £607,823 (14.5%).

**3. Material assets acquired and liabilities incurred**

There were no material assets acquired nor liabilities incurred during 2007/08.

**4. Significance of Pension liabilities and assets**

The balance sheet shows a liability on the pension fund valuing £9,649m. This figure is calculated in accordance with Financial Reporting Standard 17 and differs from the fund valuation calculated by the actuaries.

The FRS 17 position is better than it was in 2006/07, mainly due to better financial assumptions. Despite a lower than expected return on assets with the investments market being up and down in year, the value of liabilities has reduced on the balance sheet. A new valuation has also been used, as opposed to rolling forward 2004 assumptions, taking into account actual salary growth, withdrawals and mortality rates.

**5. Material and unusual charges or credits within the statements**

There have been no material or unusual entries that we wish to bring to the attention of readers.

**6. Changes in accounting policies**

The Council is required to calculate a value called its Capital Financing Requirement (CFR) Application of an interest rate to the CFR results in an amount collected annually from Council Tax to reduce the CFR. This is known as the Minimum Revenue Provision (MRP).

The negation of this charge can be achieved through a book-keeping entry by using surplus capital receipts to reduce the CFR. In 2007/08 the decision was taken to move surplus General Fund capital receipts to the GF CFR. This has the effect of reducing, on paper, the CFR (Value of assumed indebtedness) and therefore creates a lower value of which to apply the defined rate of interest. This produces General Fund budget savings.

**7. Major changes in statutory functions**

There have been no changes in the statutory functions of the Council.

**8. Current borrowing facilities**

As at the 31<sup>st</sup> March 2008 the Authority had no outstanding borrowing.

**9. Internal and External sources of funds available to meet capital expenditure plans**

The Authority has a 5 year capital expenditure programme which is fully financed. Significant internal sources of available funding are shown.

Internal funding sources	31 March 2008 £000's
Contributions and Grants	2,847
General Balances	2,112
Specific Reserves	3,103
<b>Total</b>	<b>8,062</b>

#### **10. Value for Money**

Budget managers undertook value for money reviews of their service areas using our VFM toolkit and any areas for improvement have been built into their service business plans for 2008/09.

#### **11. Risk Management**

During 2007/08 no major additional financial risks were identified and our balances remained healthy, although there are indications that there are costs pressures coming through during the first quarter of 2008.

#### **12. 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.

# STATEMENT OF ACCOUNTING POLICIES

The general principles adopted within these accounts are those recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA). All Statements of Standard Accounting Practice and Financial Reporting Standards which CIPFA has so far determined as being relevant to Local Authority Accounting and the Code of Practice on Local Authority Accounting published by CIPFA have been followed.

## 1. Accounting Convention

The accounting concepts adopted in these statements is historic cost modified by the revaluation of certain categories of assets.

## 2. Accounting Concepts

In preparing the Statement of Accounts the Council has particular regard to the accounting concepts within the SORP. The precise existence and value of assets, liabilities, income and expenditure may be uncertain and where this is the case, professional judgement is used to estimate. In doing so the Council adheres to the accounting concepts set out below to ensure that the accounts present fairly its financial position and performance:

**Relevance:** The information in the accounts is useful in assessing the Councils 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.

**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.

**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.

**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.

**Accruals:** 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.

**Going Concern:** the accounts have been prepared on the assumption that the Council will continue to provide operational services for the foreseeable future.

**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.

### **3. Revenue**

The accounts are kept on an accruals basis. The only exception in this is with regard to certain revenue transactions where the accruals concept has not been applied as the charge from year to year is recurring in nature and the sums involved are not material compared with total expenditure and income. Housing rents, insurance premiums and utility costs are not apportioned between years.

### **4. Fixed Assets**

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis.

Valuations are in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS) with particular reference to Guidance Note 11 (Valuation of Local Authority Assets for Financial Statements). Fixed assets are classified as follows:

- a) Land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use.
- b) Non-operational assets are those held by an authority but not directly occupied, used or consumed in the delivery of services, or for the service or strategic objectives of the authority. These assets are included in the balance sheet at the lower of net current replacement cost or net realisable value, for an alternative use for which there is existing planning consent.
- c) Community assets are not depreciated; Infrastructure assets are included in the balance sheet at historical cost net of depreciation.
- d) Intangible assets are included at the lower of net realisable value or net current replacement cost or net realisable value in existing use

Income from the disposal of fixed assets is accounted for on an accruals basis.

Such income that is not reserved for the payment of external loans and forms part of the capital financing reserve, and has not been used, is included in the balance sheet as usable capital receipts.

A de-minimus (minimum) level of £10,000 has been adopted for the inclusion of fixed assets in all categories.

Revaluations of fixed assets are planned at five yearly intervals. Material changes will be adjusted as they occur.

Any surpluses arising from revaluation are credited to the Revaluation Reserve. Where no surplus has been built up since 1 April 2007 deficits arising from devaluation are charged to the Income and Expenditure account.

### **5. Depreciation**

Fixed Assets are depreciated on a straight line basis over the period of their useful economic life.

Newly acquired assets are depreciated from the mid point of the year.  
Intangible Fixed Assets will be amortised to Revenue over a period of 5 years.



## **6. 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 amortisations, However it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. This charge to the general fund is based on 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to HRA activity. Depreciation, Impairment losses and amortisations 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.

## **7. Intangible Fixed Assets**

Expenditure on assets that do not have not have physical substance but are identifiable and controlled by the Council 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. Intangible assets relate to software licences

## **8. Pooling of Capital Receipts**

From 1 April 2004, under the new capital financing requirements, authorities will have to pool 75% of all housing right to buy capital receipts and 50% of all other housing capital receipts. However, if an authority was debt free at 31 March 2004, it was subject to certain transitional arrangements where it could keep a greater proportion of its receipts. The transitional arrangements applied to South Holland District Council, but expired on 31 March 2007.

## **9. Deferred Charges**

These represent payments of a capital nature which do not result in the creation of a fixed asset eg. improvement grants. Expenditure is amortised to the service revenue account in the year of expenditure on the basis of the benefit obtained by the service. However, adjustments are made through the Capital Adjustment Account so that there is no impact on Council Tax.

## **10. Leases**

The amount of lease rentals paid and the amount of undischarged leasing obligations are shown in note 23 to the Core Financial Statements.

## **11. Debtors and Creditors**

The revenue accounts of the Council are maintained on an accruals basis (with the exception of items mentioned in note 1). This means sums due to or from the Council during the year are included in the accounts whether or not the cash has actually been paid or received in the year.

For the purposes of budgetary control a system of commitment accounting is maintained during the year. At the end of the year accruals are entered for goods and services received which have not yet been paid for. The County Council and Police Authorities share of the Collection Fund Deficit is shown as a Debtor on the Balance Sheet.

## **12. Government Grants and Contributions**

Government grants are accounted for on an accruals basis and income has been credited in the case of revenue grants to the appropriate revenue account, or in the case of capital grants, to the Government Grants – Deferred Account. The write down of the Government Grants – Deferred Account balance for any asset will be based upon the depreciation policy adopted for that asset. This is in accordance with Statement of Standard Accounting Practice 4.

## **13. 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.

## **14. Cost of Support Services**

The cost of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of CIPFA Best Value Code of Practice (2007). 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.

Support Services have been allocated on the following basis:

<b>SUPPORT SERVICES</b>	
<b>Cost</b>	<b>Basis of Allocation</b>
Office Accommodation	Floor area occupied by each Section
Photocopying	Previous year's actual usage
Mailing	Previous year's actual usage
Reception and Telecoms	Previous year's actual usage
Accountancy	Based on support given to each cost centre
Internal Audit	Based on the audit plan
Fraud	Based on time spent on fraud investigations
Legal Services	Based on support given to each cost centre
Procurement	Based on expenditure on premises and supplies and services
Right to buy	All charges to Housing Right to Buy
Information Services	Based on allocation of software license fees
Debtors	Invoices raised and recovery
Creditors	Invoices processed
Payroll	Based on number of pay slips produced
Insurance/ Risk Management	Premiums paid
Human Resources	Based on salary allocations
Payments Office	Number of transactions per service
Organisational Development	Based on salary allocations
Administrative Services	Based on salary allocations
Health and Safety	Based on salary allocations
Finance Administration	Based on Head of Services salary allocations
Community and Neighbourhood Services	
Admin	Based on Service salary allocations
Corporate Admin	Based on Directors' salary allocation
Planning Admin	Based on Service salary allocations
Organisational Development Admin	Based on Service salary allocations
Depots	Based on floor area occupied

## **15. Provisions, Earmarked and General Reserves**

The Council operates the following provisions and reserves:

FRS12 redefined a provision "as a liability that is of uncertain timing or amount, to be settled by the transfer of economic benefits". It also stated that a provision should also be recognised when an entity has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation, unless these conditions are met, no provision should be recognised.

The Revaluation Reserve as established on 1 April 2007 represents revaluation gains accumulated during 2007/08.

The Capital Adjustment Account represents the amounts set aside from the revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans

Earmarked reserves are amounts set aside for earmarked purposes out of the balances of the Council's funds. General reserves are amounts set aside for general purposes out of the balances of the Council's funds.

Details of reserves held are shown in note 39 to the Core Financial Statements.

## **16. Pensions**

The pension costs included in the financial statement in respect of the Local Government pension Scheme (LGPS) have been prepared under the joint CIPFA/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) guidance on the application of the FRS17 "Retirement Benefits". All disclosures have been drafted in accordance with the 2007 SORP.

The FRS17 pension costs have been estimated by the Pension Fund actuary and have incorporated an actual valuation of the accrued pension liabilities attributable to the Council as the scheme employer.

The current service (pensions) cost reflected in the service accounts is an estimate of the true economic cost of employing people in a financial year, earning years of service that will eventually entitle them to the receipt of a lump sum and pension when they retire. It measures the full liability estimated to have been generated in the year (at today's prices) and is unaffected by whether any fund established to meet liabilities is in surplus or deficit.

In accordance with FRS17 the accrued pension liabilities have been valued as at 31 March by reference to the yield available on long-dated, high quality corporate bonds. The discount rate is 6.9% (3.2% real).

The LGPS requires that employer contributions to the pension fund are calculated by an independent actuary and payments are made into the fund for the duration of the period an employee chooses to remain a member of the LGPS. The Council's payments to the pension fund can increase or decrease, depending on whether the fund has sufficient assets to meet its liabilities.

## **17. Contingent Assets and Contingent Liabilities**

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence of one or more future events not wholly in 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.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more future events not wholly in the Council's control. Contingent liabilities are not recognised as expenditure but are disclosed in the notes to the accounts.

## **18. 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.

## **19. 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 councils 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.

## **20. 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 them.

# 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 ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

## The Head of Finance's Responsibilities

The Head of Finance 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 Head of Finance 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;
- 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 2008.



ELIZABETH JONES DMS FCMA

Head of Finance

Dated: 25<sup>th</sup> June 2008

## Approval of Accounts

I confirm that these accounts were approved by the full Council at the meeting held on the 25<sup>th</sup> June 2008.

Signed on behalf of South Holland District Council:

Cllr Francis Biggadike

Chair of meeting approving the accounts:

Dated: 25<sup>th</sup> June 2008.

## 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 2007/08 accounts the inspection period is 23<sup>rd</sup> June 2008 to the 19<sup>th</sup> July 2008.

The dates have been advertised in the local press and the Financial Statement will be made available on our website

## CORE FINANCIAL STATEMENTS

### INCOME AND EXPENDITURE ACCOUNT

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

	Current Year Expenditure £000's	Current Year Income £000's	Current Year Net £000's	Previous Year Net £000's
Central Services to the Public	6,511	(5,391)	1,120	1,027
Cultural, Environmental and Planning Services	11,471	(3,583)	7,888	6,891
Highways, Roads and Transport Services	1,075	(354)	721	569
Local Authority Housing (HRA)	12,347	(11,813)	534	(305)
Other Housing Services	12,511	(11,334)	1,177	1,021
Corporate and Democratic Core	1,426	(9)	1,417	1,280
Non-distributed Costs	24	-	24	118
<b>Net Cost of Services</b>	<b>45,365</b>	<b>(32,484)</b>	<b>12,881</b>	<b>10,601</b>
Gain on the disposal of fixed assets			(4)	-
Precepts of local precepting authorities			2,427	2,361
Interest payable and similar charges			-	7
Amounts payable into the Housing Capital Receipts Pool			521	1050
Interest and investment income			(887)	(804)
Pensions interest cost and expected return on pensions assets (Note 45)			(98)	(4)
<b>Net Operating Expenditure</b>			<b>14,840</b>	<b>13,211</b>
Demand on the Collection Fund			(4,595)	(4,408)
General Government Grants			(1,330)	(1,583)
Distribution from Non-Domestic Rate Pool			(6,944)	(6,462)
<b>Deficit for the Year</b>			<b>1,971</b>	<b>758</b>

## STATEMENT OF THE 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 the 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.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

	Current Year £000's	Previous Year £000's
Deficit for the year on the Income and Expenditure Account	1,971	758
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)	(1,978)	(636)
<b>(Surplus)/Deficit on General Fund Balance for the Year</b>	<b>(7)</b>	<b>122</b>
(Surplus)/ Deficit for Spalding Special Expenses	-	(7)
<b>General Fund Balance brought forward</b>	<b>2,105</b>	<b>2,220</b>
<b>General Fund Balance carried forward</b>	<b>2,112</b>	<b>2,105</b>



## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in net worth. In addition to the 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.

	Current Year £000's	Previous Year £000's
Deficit on the Income and Expenditure Account for the year	1,971	758
Surplus arising on revaluation of fixed assets	(6,882)	(6,032)
Actuarial (gains) and losses on Pension Fund assets and liabilities	(1,692)	(3,281)
Any other (gains)/losses required to be included in the STRGL	-	(109)
(Surplus)/ Deficit on the Collection Fund	(21)	(12)
<b>Total Recognised Gains and Losses for the year</b>	<b>(6,624)</b>	<b>(8,676)</b>

## BALANCE SHEET

The Balance Sheet is fundamental to the understanding of the Council's financial position at the year-end. It shows the balances and reserves and its long term indebtedness, and fixed and net current assets employed in its operation, together with summarised information on assets held.

Fixed Assets	Current Year End £000's	Previous Year End £000's
Intangible Fixed Assets	257	324
Tangible Fixed Assets		
Operational Assets		
Council Dwellings	196,062	193,092
Other Land & Building	15,907	13,565
Vehicles, Plant & Equipment	569	589
Infrastructure Assets	1,543	1,513
Community Assets	671	671
Non-Operational Assets:		
Surplus Assets	1,270	1,167
Investment Assets	1,684	1,659
Assets Under Construction	-	436
<b>Total Fixed Assets</b> (Note 20, 21, 22, 26, 27, 28, 29, 30)	<b>217,963</b>	<b>213,016</b>
<b>Long Term Debtors</b> (Note 32)		
Mortgages	17	20
Other	180	211
<b>Total Long Term Assets</b>	<b>218,160</b>	<b>213,247</b>
<b>Current Assets</b>		
Stocks and work in progress	43	75
Debtors (Note 33)	2,576	3,364
Investments	11,556	11,234
Cash and Bank	378	607
<b>Total Current Assets</b>	<b>14,553</b>	<b>15,280</b>
<b>Current Liabilities</b>		
Creditors (Note 33)	(4,548)	(5,100)
Bank Overdraft	-	(304)
<b>Total Current Liabilities</b>	<b>(4,548)</b>	<b>(5,404)</b>
Current Assets Less Current Liabilities	10,005	9,876
<b>Total Net Assets</b>	<b>228,165</b>	<b>223,123</b>
Government Grants – Deferred Account	(1,198)	(921)
Capital Grants and Contributions (Note 36)	(2,847)	(2,738)
Pensions liability (Note 45)	(9,649)	(11,617)
<b>Total Assets Less Liabilities</b>	<b>214,471</b>	<b>207,847</b>

<b>Financed by:</b>		
Capital Adjustment Account	208,250	209,484
Revaluation Reserve	6,587	-
Usable Capital Receipts Reserve	1,874	3,011
Deferred Credits	17	20
Major Repairs Reserve	797	-
General Fund Balance	2,112	2,105
Specific Reserves	3,103	3,339
Housing Revenue Account Balance	1,376	1,522
Collection Fund	4	(17)
Pensions Reserve (Note 45)	(9,649)	(11,617)
<b>Total Net Worth (Note 39)</b>	<b>214,471</b>	<b>207,847</b>

## CASH FLOW STATEMENT

The consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined, for the purposes of this statement, as cash in hand and deposits repayable on demand, less overdrafts repayable on demand.

	Current Year £000's	Previous Year £000's
<b>Revenue Activities</b>		
<b>Cash Outflows:-</b>		
Cash paid to and on behalf of employees	11,518	11,170
Other operating cash payments	12,628	13,878
Housing Benefit paid out	4,297	3,804
National non-domestic rate payments to national pool	21,755	26,789
Precepts paid	30,898	29,306
Housing Subsidy	3,229	2,882
Pooled Capital Receipts	678	812
<b>Sub Total</b>	<b>85,003</b>	<b>88,641</b>
<b>Cash Inflows:-</b>		
Rents (after rebates)	(5,539)	(5,147)
Council Tax Receipts	(30,668)	(29,158)
Non Domestic Rate Receipts	(21,233)	(21,390)
National Non-Domestic Rate receipts from national pool	(6,944)	(6,462)
DWP grants for rebates & benefits	(15,351)	(14,307)
Revenue Support Grant	(1,165)	(1,247)
Other Government grants	(1,818)	(2,300)
Other revenue income	(3,471)	(5,755)
<b>Sub Total</b>	<b>(86,189)</b>	<b>(85,766)</b>
<b>Revenue Activities Net Cash Outflow/(Inflow)</b>	<b>(1,186)</b>	<b>2,875</b>
<b>Returns on Investment and Servicing of Finance</b>		
<b>Cash Outflows:-</b>		
Interest Paid	-	4
<b>Cash Inflows:-</b>		
Interest Received	(875)	(947)
<b>Returns on Investment and Servicing of Finance</b>	<b>(875)</b>	<b>(943)</b>

	<b>Current Year £000's</b>	<b>Previous Year £000's</b>
<b>Capital Activities</b>		
<b>Cash Outflows:-</b>		
Expenditure on fixed assets	3,290	4,968
Deferred Charges	643	825
<b>Sub Total</b>	<b>3,933</b>	<b>5,793</b>
<b>Cash Inflows:-</b>		
Sale of fixed assets	(606)	(1,900)
Capital grants received	(463)	(165)
Other Capital cash receipts	(869)	(389)
<b>Sub Total</b>	<b>(1,938)</b>	<b>(2,454)</b>
<b>Management of Liquid Resources</b>		
Net increase/(decrease) in short term deposits	(9)	(4,077)
<b>Liquid Resources Net Cash Outflow</b>	<b>(9)</b>	<b>(4,077)</b>
<b>Net Cash Outflow/(Inflow) before Financing</b>	<b>(75)</b>	<b>1,194</b>
<b>Net Decrease (increase) in Cash</b>	<b>(75)</b>	<b>1,194</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### NOTE 1 – DISCONTINUED OPERATIONS

There have been no discontinued operations this year.

### NOTE 2 – EXCEPTIONAL ITEMS AND PRIOR PERIOD ADJUSTMENTS

There have been no exceptional items or prior year adjustments this year.

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

There have been no PFI transactions this year.

### NOTE 4 – TRADING SERVICES

The Council has an in-house Construction Unit which operates building maintenance functions

	<b>£000's</b>	<b>£000's</b>
Turnover	(2,154)	
Expenditure	2,118	
(Surplus)/Deficit	(36)	
(Surplus)/Deficit Previous Year		(71)

Markets are provided in Spalding, Holbeach, Long Sutton and Crowland

	<b>£000's</b>	<b>£000's</b>
Turnover	(125)	
Expenditure	222	
(Surplus)/Deficit	97	
(Surplus)/Deficit Previous Year		74

The Council provides off street car parking predominantly within Spalding

	<b>£000's</b>	<b>£000's</b>
Turnover	(281)	
Expenditure	296	
(Surplus)/Deficit	15	
(Surplus)/Deficit Previous Year		(10)

The Council lets forty six industrial units at Pinchbeck, Holbeach, Crowland and Sutton Bridge

	<b>£000's</b>	<b>£000's</b>
Turnover	(102)	
Expenditure	77	
(Surplus)/Deficit	<b>(25)</b>	
(Surplus)/Deficit Previous Year		4

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 has been amended. However Local Authorities are still required to disclose expenditure which in its opinion is in the interests of its area and its inhabitants which is not otherwise authorised. The expenditure below captures donations to charities and not-for-profit bodies.

The authority's actual expenditure in 2007/08 was £152,868 which was granted to various organisations. (Previous Year £114,262).

## NOTE 6 - PUBLICITY

Section 5(1) of the Local Government Act 1986 requires disclosure of expenditure on publicity. Publicity covers all forms of communication addressed to the public at large.

	Current Year £000's	Previous Year £000's
Recruitment Advertising	17	30
Advertising Events and Functions	36	35
Advertising Facilities	16	12
Legal and Public Notices	22	18
Other Publicity	<u>33</u>	<u>31</u>
<b>Total</b>	<b><u>124</u></b>	<b><u>126</u></b>

The other publicity costs show the cost of producing the SHDC magazine and the Tenants' magazine.

## NOTE 7 – 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 £50,000)

Amenity Grass Cutting for Lincolnshire County Council £27,075  
(Previous year £42,836)

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

## NOTE 8 – TRANSPORT ACT 2000

The Authority does not have any road charging schemes.

## NOTE 9 - BUSINESS IMPROVEMENT DISTRICT SCHEMES

The Authority does not have any Business Improvement District Schemes.

## NOTE 10 – BUILDING REGULATIONS CHARGING ACCOUNT

Under the Building (Local Authority Charges) Regulations 1998, which came into force on 1 April 1999, Local Authorities are able to set their own level of fees for some Building Control functions.

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 chargeable element of the service, known as the Building Control Fee Earning Account must at least break-even over a three year rolling period, the latest period being the 1 April 2005 to 31 March 2008. This authority's charges have been set based on the Local Government Association model charges scheme.

The statement below shows the total cost of operating the Building Control Function divided between the chargeable and non-chargeable activities.

Previous Year		Current Year		
		Chargeable	Non Chargeable	Total Building Control
£000's		£000's	£000's	£000's
	<b>Expenditure</b>			
203	Employee expenses	214	156	370
-	Premises expenses	-	15	15
14	Transport expenses	15	11	26
38	Supplies and Services expenses	33	11	44
82	Support Services	78	71	149
<b>337</b>	<b>Total Expenditure</b>	<b>340</b>	<b>264</b>	<b>604</b>
	<b>Income</b>			
(352)	Building Regulation Charges	(366)	-	(366)
(14)	Miscellaneous income	(31)	2	(29)
<b>(366)</b>	<b>Total Income</b>	<b>(397)</b>	<b>2</b>	<b>(395)</b>
<b>(29)</b>	<b>(Surplus)/Deficit for year</b>	<b>(57)</b>	<b>266</b>	<b>209</b>



#### **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 HEALTH ACT 1999**

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

#### **NOTE 13 – LOCAL AREA AGREEMENTS**

The Council is a participant in the Local Area Agreement for Lincolnshire – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/2008 the LAA has completed the second year of its three year agreement.

The purpose of the LAA is:

- to form an agreement between the Lincolnshire Local Strategic Partnership, Government (represented by Government Office East Midlands) and other external agencies.
- to agree specific outcomes and targets that will be achieved each year for the three years of the agreement
- to improve the effectiveness and efficiency of public services in Lincolnshire by pooling and aligning funding streams.

The LAA will give local authorities and their partners the flexibility to find local solutions to local problems, and to prioritise spending to achieve their agreed priorities.

Lincolnshire County Council (LCC) acts as the accountable body for the LAA. This means that LCC is responsible for managing the distribution of grant paid by the Government to the partners involved.

The total grant received by the LSP in 2007/2008 is £8.2m. South Holland received £95,000 of this total to fund its own services.

#### **NOTE 14 – MEMBER ALLOWANCES**

The total of Members' allowances paid in the year amounted to £247,183. (Previous Year £224,259).

NOTE 15 – OFFICER EMOLUMENTS	Current Year	Previous Year
The number of employees in the following bands were:		
<b>Salary Band</b>	<b>Number of employees</b>	<b>Number of employees</b>
£50,000 to £59,999	8	7
£60,000 to £69,999	-	-
£70,000 to £79,999	2	2
£80,000 to £89,999	-	-
£90,000 to £99,999	-	1
£100,000 to £109,999	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	(1,165)
NNDR (Redistributed)	(6,944)
Rent Allowance Subsidy	(4,317)
Rent Rebates Subsidy	(6,149)
Council Tax Benefit Subsidy	(4,379)
Housing Subsidy – Paid to DCLG	3,182

**Members / Officers** Members are responsible for the direct control of the policies of the Council. During 2007/08 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. As at the date of publication two members had not returned their declarations. A review of the members' register of interests did not identify any material transactions.

**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 2007/08 were as follows:-

	£'000
Black Sluice Drainage Board	112
Kings Lynn Internal Drainage Board	21
North Level Internal Drainage Board	113
South Holland Internal Drainage Board	1,025
Welland and Deepings Internal Drainage Board	682
Parish Councils	474

NOTE 17 – AUDIT FEES	Current Yes £000's	Previous Year £000's
In 2007/08 South Holland District Council incurred the following fees relating to external audit and inspection:		
Fees payable to the audit commission with regard to external audit services carried out by the appointed auditor	103	93
Fees payable to the Audit Commission for the certification of grant claims and returns	14	14
<b>TOTAL</b>	<b>117</b>	<b>107</b>

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

The General Fund balance has increased by £5,000. There are no material items to be drawn to the reader's attention. This movement represents a 0.33% change and carries forward a balance of £2,111,705. This balance is in line with the Medium Term Financial Strategy.

NOTE 19 – AMOUNTS CHARGED TO THE GENERAL BALANCE NOT SHOWN IN THE INCOME AND EXPENDITURE ACCOUNT	Current Year £000's	Previous Year £000's
<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	(67)	(62)
Depreciation and impairment of fixed assets	(1,963)	(962)
Excess of depreciation charged to HRA services over the Major Repairs Allowance element of Housing Subsidy	(181)	(165)
Government grants deferred amortisation	493	652
Net gain on the sale of fixed assets	4	-
Write down of deferred charges to be financed from capital resources	(623)	(929)
Net charges made for retirement benefits in accordance with FRS 17	(1397)	(1,592)
<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>		
Statutory provision for the repayment of debt	86	74
Capital expenditure charged to the General Fund Balance	900	1,094
Transfer from Usable Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool	(521)	(1,050)
Employer's contributions payable to the Lincolnshire County Council Pension Fund	1,673	1,462
<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	(146)	(157)
Net transfer to/from earmarked reserves	(236)	999
<b>Net additional amount required to be credited to the General Fund Balance for the year</b>	<b>(1,978)</b>	<b>(636)</b>

## NOTE 20 – FIXED ASSETS

### Operational Assets

	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant and Equipment</b>	<b>Infrastructure</b>	<b>Community Assets</b>	<b>Total</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Net book value of assets at 31 March 2007</b>	193,092	13,565	589	1,513	671	209,430
Movement in 2007/08						
Additions	2,068	485	265	139	-	2,957
Disposals	(688)	-	-	-	-	(688)
Impairments	(911)	(75)	(33)	-	-	(1,019)
Reclassifications	-	347	-	-	-	347
Revaluations	4,558	2,295	-	25	-	6,878
Depreciation	(2,057)	(710)	(252)	(134)	-	(3,153)
<b>Net book value of assets at 31 March 2008</b>	<b>196,062</b>	<b>15,907</b>	<b>569</b>	<b>1,543</b>	<b>671</b>	<b>214,752</b>

<b>Non-Operational Assets</b>				
	<b>Surplus Assets</b>	<b>Assets under Construction and WIP</b>	<b>Investment Properties</b>	<b>Total</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Net book value of assets at 31 March 2007</b>	1,167	436	1,659	3,262
Movement in 2007/08				
Additions	-	-	-	-
Disposals	-	-	-	-
Impairments	-	-	-	-
Reclassifications	89	(436)		(347)
Revaluations	18	-	25	43
Depreciation	(4)	-	-	(4)
<b>Net book value of assets at 31 March 2008</b>	<b>1,270</b>	<b>-</b>	<b>1,684</b>	<b>2,954</b>

<b>Fixed Asset Expenditure</b>	<b>Current Year £000's</b>	<b>Previous Year £000's</b>
Intangible Assets	9	32
Operational Assets		
Council Dwellings	2,067	3,397
Other Land and Buildings	485	358
Vehicles, Plant and Equipment	264	135
Infrastructure	139	150
Non Operational Assets		
Assets Under Construction	-	435
Deferred Charges	624	911
<b>Total capital expenditure</b>	<b>3,588</b>	<b>5,418</b>
This was financed as follows:		
Major Repairs Allowance	1,204	1,956
Capital Receipts	207	896
Supported Borrowing	506	506
Direct Revenue Financing	900	946
Grants	183	165
Reserves	-	103
External Contributions	588	846
<b>Total Capital Financing</b>	<b>3,588</b>	<b>5,418</b>

<b>NOTE 21 – COMMITMENTS UNDER CAPITAL CONTRACTS</b>	<b>Contractually Committed Expenditure £000's</b>
<b>Work Completed</b>	
Council House Improvements	815
Disabled Facility and Other Grants	5
<b>Total</b>	<b>820</b>
<b>Contractual commitments</b>	
Council House Improvements	3,005
Disabled Facility and Other Grants	32
Other capital commitments	240
<b>Total</b>	<b>3,277</b>
Significant future capital commitments based on work completed are £3,005,300 as at 31 March 2008. Further capital commitments are noted where significant contractual arrangements are in place:	

<b>NOTE 22 - INFORMATION ON ASSETS HELD</b>	<b>Number at the end of Current Year</b>	<b>Number at the end of Previous Year</b>
<b>Operational Assets</b>		
Council Dwellings (HRA)	3,930	3,938
Council Dwellings (General Fund)	23	9
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	3
Administration Buildings	1	1
Commercial and Industrial Properties	47	47
Investment Land and Buildings	2	2
<b>Non-Operational Assets</b>		
Investment Assets	5	5
Surplus Assets	7	6
Assets under Construction	-	14
<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

<b>NOTE 23 – ASSETS HELD UNDER LEASE</b>	<b>2008/09 £000's</b>	<b>2009/10 £000's</b>	<b>2010/onwards £000's</b>
Lease Maturity	111	18	18
Lease payments amounted to £135,534 (£199,813 in 2006/07). At 31 March 2008 future liabilities are as detailed above.			

#### **NOTE 24 - ASSETS HELD FOR LEASES**

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 25 – ASSETS RECOGNISED UNDER PFI

The Authority does not hold any assets recognised under PFI.

## NOTE 26 – VALUATION INFORMATION

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 October 2007 by Longstaffs, 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 2008 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.

In accordance with the 2007 SORP assets are revalued prior to disposal to allow gains or losses on disposal to be effectively recorded with the core financial statements.

## 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		
	2008	2007	2006	2008	2006	2004
<b>Operational Assets</b>						
Other Land & Buildings				15,907	13,565	13,383
HRA Council Dwellings				196,062	193,092	182,186
Intangible Assets	569	589	719			
HRA Intangible Assets	257	324	383			
Infrastructure Assets	243	213	159	1,300	1,300	1,300
Community Assets	671	671	671			
<b>Non-Operational Assets</b>						
Surplus Assets				1,270	1,112	231
Investment Properties				1,684	1,659	1,552
Assets under Construction				-	436	-

## NOTE 27 – 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. A review of assets at 31 March 2008 for impairment purposes did not highlight any revaluation of material General Fund assets or 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 25.

## NOTE 28 – CHANGES IN DEPRECIATION METHODS

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

<b>NOTE 29 - INTANGIBLE FIXED ASSETS</b>	<b>General Fund £000's</b>	<b>HRA £000's</b>	<b>Total £000's</b>
Intangible assets exist where expenditure has been incurred yet no tangible asset has resulted, an example being software licenses.			
<b>Opening Balance</b>	<b>301</b>	<b>23</b>	<b>324</b>
Expenditure in year	9	-	9
Written off to revenue in year	(67)	(9)	(76)
<b>Closing Balance</b>	<b>243</b>	<b>14</b>	<b>257</b>

### **NOTE 30 – CHANGES IN AMORTISATION METHODS FOR INTANGIBLE FIXED ASSETS**

There have been no changes to the Authorities amortisation policy.

<b>NOTE 31 – ANALYSIS OF NET ASSETS EMPLOYED</b>	<b>Current Year £000's</b>	<b>Previous Year £000's</b>
General Fund	19,514	24,508
HRA	194,957	183,339
<b>Total</b>	<b>214,471</b>	<b>207,847</b>

<b>NOTE 32 - LONG TERM ASSETS</b>	<b>Current Year £000's</b>	<b>Previous Year £000's</b>
<b>Opening Balance</b>	231	263
Advances during the year	111	113
Repayments during the year	(145)	(145)
<b>Closing Balance</b>	<b>197</b>	<b>231</b>
<b>The main long term debtors are:</b>		
Mortgages on Council House Sales	17	20
Car Loans to Staff *	176	207
Other Loans to Staff	4	4
<b>Total</b>	<b>197</b>	<b>231</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 2007/08 stands at £4,000.

## NOTE 33 – CURRENT ASSETS AND LIABILITIES

DEBTORS	Current Year £000's			Previous Year £000's		
<b>Amounts falling due within one year</b>						
	<b>Gross</b>	<b>Provision for Bad Debts</b>	<b>Net</b>	<b>Gross</b>	<b>Provision for Bad Debts</b>	<b>Net</b>
Government Departments	66	-	66	636	-	636
Housing Rents	314	(96)	218	327	(85)	242
Value Added Tax	218	-	218	274	-	274
Sundry Debtors	1,411	(35)	1,376	1,751	(35)	1,716
Non Domestic Rates	184	(78)	106	111	(32)	79
Council Tax	747	(155)	592	564	(147)	417
<b>Total</b>	<b>2,940</b>	<b>(364)</b>	<b>2,576</b>	<b>3,663</b>	<b>(299)</b>	<b>3,364</b>
CREDITORS	Current Year £000's			Previous Year £000's		
Government Departments	1,373			1,633		
Sundry Creditors	2,205			2,230		
Parishes	27			36		
Collection Fund	775			1,105		
Housing Rents	168			96		
<b>Total</b>	<b>4,548</b>			<b>5,100</b>		

## NOTE 34 – INTERESTS IN COMPANIES

There are no interests in companies to be disclosed.

## NOTE 35 – FINANCIAL INSTRUMENTS

### Financial Instrument Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments. The figures below show the principal plus accrued interest as at the 31 March 2008.

	Long-term		Current	
	31 Mar 2008 £'000	31 Mar 2007 £'000	31 Mar 2008 £'000	31 Mar 2007 £'000
Financial liabilities at amortised cost	-	-	-	-
Financial liabilities at fair value through the I&E	-	-	-	-
<b>Total Borrowings</b>	-	-	-	-
Loans and receivables	-	-	11,556	11,234
Available-for-sale financial assets	-	-	-	-
Financial assets at fair value through the I&E	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
<b>Total Investments</b>	-	-	<b>11,556</b>	<b>11,234</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.

2007/08	Financial Liabilities		Financial Assets	
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Available-for-sale assets £'000	Total £'000
Interest expense	-	-	-	
Losses on de-recognition	-	-	-	
Impairment -losses	-	-	-	
<b>Interest payable and similar charges</b>	-	-	-	-
Interest Income	-	(887)	-	
Gains on de-recognition	-	-	-	
<b>Interest and Investment Income</b>	-	<b>(887)</b>	-	<b>(887)</b>
Gains on revaluation			-	
Losses on revaluation			-	
Amounts recycled to the I&E Accounts after impairment			-	
<b>Surplus arising on revaluation of financial assets</b>			-	
<b>Net gain/(loss) for the year</b>	-	<b>(887)</b>	-	

2006/07	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Available-for-sale assets £'000	
Interest expense	-	-	-	
Losses on de-recognition	-	-	-	
Impairment losses	-	-	-	
<b>Interest payable and similar charges</b>	-	-	-	-
Interest Income	-	(804)	-	
Gains on de-recognition	-	-	-	
<b>Interest and Investment Income</b>	-	<b>(804)</b>	-	<b>(804)</b>
Gains on revaluation			-	
Losses on revaluation			-	
Amounts recycled to the I&E Accounts after impairment			-	
<b>Surplus arising on revaluation of financial assets</b>			-	
<b>Net gain/(loss) for the year</b>	-	<b>(804)</b>	-	

## Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions;

- For loans from the PWLB and other loans payable, premature rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.
- For loans receivable prevailing benchmark market rates have been used to provide the fair value.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months or is trade debtor or other receivable the fair value is taken to be the principal outstanding or the billed amount.
- The fair value of trade or other receivables is taken to be the invoiced or billed amount.

£000s	31 March 2008		31 March 2007	
	Carrying amount	Fair value	Carrying amount	Fair value
PWLB debt	-	-	-	-
Non-PWLB debt	-	-	-	-
Total debt	-	-	-	-
Trade creditors	2,205	2,205	2,230	2,230
<b>Total Financial liabilities</b>	<b>2,205</b>	<b>2,205</b>	<b>2,230</b>	<b>2,230</b>

The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date

Money market loans less than 1 yr	11,556	11,556	11,234	11,234
Money market loans greater than 1 yr	-	-	-	-
Bonds	-	-	-	-
Trade debtors	1,411	1,411	1,751	1,751
<b>Total loans and receivables</b>	<b>12,967</b>	<b>12,967</b>	<b>12,985</b>	<b>12,985</b>



The Council's activities expose it to a variety of financial risks, the key risks are:

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

### **Overall Procedures for Managing Risk**

The Council's overall risk management procedures focus on the unpredictability of financial market, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the *Local Government Act 2003* and the associated regulations. These require the Council to comply with CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the Code of Practice;
- By approving annually in advance prudential indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures the maturity structure of its debt;
  - It maximum annual exposures to investments maturing beyond a year.
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

These policies are implemented 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 (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

## Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirement of the investment criteria outlined in its Treasury Management Strategy.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the Council's experience of its customers collection levels over the last five financial years, adjusted to reflect current market conditions.

	<b>Amount at 31 March 2008</b>	<b>Historical experience of default</b>	<b>Adjustment for market conditions at 31 March 2008</b>	<b>Estimated maximum exposure to default</b>
	<b>£000's</b>	<b>%</b>	<b>%</b>	<b>£000's</b>
Deposits with banks and financial institutions				
AAA rated counterparties	-	-	-	-
AA rated counterparties	11,328	-	-	-
A rated counterparties	-	-	-	-
Other Counterparties	-	-	-	-
Bonds – AAA Rates	-	-	-	-
Trade debtors	2,904	12.50	12.50	364
<b>Total</b>	<b>14,232</b>	<b>12.50</b>	<b>12.50</b>	<b>364</b>

Whilst the current credit crisis in international markets has raised the overall possibility of default, the Council maintains strict credit criteria for investment counterparties. As a result of these high credit criteria, we have maintained historical default rates as a good indicator under these current conditions

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

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

	<b>£000's</b>
Less than three months	811
Three to six months	608
Six months to one year	1,005
More than one year	480
<b>Total</b>	<b>2,904</b>

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

## 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.

## Refinancing and Maturity Risk

The Council is debt free and has no external borrowing but maintains a significant investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the council relates to managing the exposure to replacing financial instruments as they mature. The risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

	£000's
Less than one year	-
Between one and two years	-
Between two and seven years	-
Between seven and five years	-
More than five years	-
<b>Total</b>	-

The Maturity analysis of financial assets as follows:

	£000's
Less than one year	11,328
Between one and two years	-
Between two and three years	-
More than three years	-
<b>Total</b>	<b>11,328</b>

All trade and other payables are due to be paid in less than one year and trade debtors of £2.9m are not shown in the table above.

## Market Risk

**Interest Rate Risk** – The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- Borrowings at fixed rates – the fair value of the borrowing liability will fall;
- 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.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and effect the General Fund Balance, subject to influences from Government grants.

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:

	<b>£000's</b>
Increase in interest payable on variable rate borrowings	-
Increase in interest payable on variable rate investments	-
Impact on Income and Expenditure Account	-
Increase in Government grant receivable for financing costs	-
Share of overall impact debited to the HRA	-
Decrease in fair value of fixed rate investment assets	<u>282</u>
Impact on STRGL	<u>282</u>

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 36 – LONG TERM ASSETS AND LIABILITIES

### LONG TERM BORROWING

The Authority does not hold long term borrowing.

CAPITAL GRANTS AND CONTRIBUTIONS	Contributions £000's	Grants £000's	Total £000's
<b>Opening Balance</b>	<b>2,540</b>	<b>198</b>	<b>2,738</b>
<b>Add</b>			
In Year Contributions	608	350	958
<b>Less</b>			
Applied Contributions	(618)	(231)	(849)
<b>Closing Balance</b>	<b>2,530</b>	<b>317</b>	<b>2,847</b>

## NOTE 37 – INSURANCE PROVISIONS

The Authority does not hold an insurance provision.

## NOTE 38 – PROVISIONS

The Authority no longer holds any provisions.

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<b>NOTE 39 – RESERVES</b>	<b>Opening Balance</b>	<b>Net Movement in Year</b>	<b>Closing Balance</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>General Reserves</b>			
Capital Adjustment Account	209,484	(1,234)	208,250
Revaluation Reserve	-	6,587	6,587
Usable Capital Receipts	3,011	(1,137)	1,874
Deferred Capital Receipts	20	(3)	17
General Fund	2,105	7	2,112
Housing Revenue Account	1,522	(146)	1,376
Major Repairs Reserve	-	797	797
Collection Fund	(17)	21	4
Pensions Reserve	(11,617)	1,968	(9,649)
<b>Specific Reserves</b>			
Benefits Development Fund	217	(4)	213
Capital Schemes	480	34	514
Community Development	90	(5)	85
Commuted Sums	98	(36)	62
Council Tax Funding	565	(185)	380
Economic Development	128	(9)	119
Electoral Reform	25	(25)	-
E Government	115	(9)	106
Organisational Development	1,119	23	1,142
Planning and Development :-			
-Building Control	43	(23)	20
-Housing & Planning Delivery Grant	231	(22)	209
-Local Development Framework	23	9	32
Repairs and Renewals	205	16	221
<b>Total</b>	<b>207,847</b>	<b>6,624</b>	<b>214,471</b>

### Implementation of the Revaluation Reserve

The balance sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/2007 to accommodate the implementation of the Revaluation Reserve. The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The credit balance of £170.832m on the FARA at 31 March 2007 has been written off to the Capital Financing Account (£38.652m credit balance) to form the new Capital Adjustment Account with a balance of £209.484m. The Revaluation Reserve has been included in the Balance Sheet with a zero opening balance. The closing position on the Reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007.

Capital Adjustment Account	Current Year £000's
Transferred from:	
Fixed Asset Revaluation Account	170,832
Capital Financing Account	38,652
Amortisation of Intangible Assets	(67)
Depreciation and Impairment of Fixed Assets	(4,145)
Statutory Provision for the repayment of debt	86
Government grants deferred amortisation	493
Write down of deferred charges to be financed from capital resources	(623)
Financing of Capital Expenditure	
Capital Receipts	207
Direct Revenue Financing	900
Major Repairs Reserve	1,204
Disposal of Fixed Assets	
Carrying Value of Assets sold in year	(687)
Write out of Revaluation gains on assets sold in year	295
Voluntary contribution to capital financing requirement	1,103
<b>Closing Balance</b>	<b>208,250</b>

Revaluation Reserve	Current Year £000's
<b>Opening Balance</b>	-
Revaluation surpluses in year	6,921
Depreciation and Impairment of Fixed Assets	-
Write down of revaluation surpluses following capital expenditure in year	(39)
Transfer to Capital Adjustment Account of revaluation gains following sale of assets	(295)
<b>Closing Balance</b>	<b>6,587</b>

Usable Capital Receipts Reserve	General Fund £000's	Housing £000's	Total £000's
<b>Opening Balance</b>	<b>1,801</b>	<b>1,210</b>	<b>3,011</b>
Receipts in year			
Sale of Assets	-	691	691
Repayment of Mortgages	-	3	3
Less:			
Financing of Capital Expenditure	(200)	(7)	(207)
Pooling of Housing Capital Receipts	-	(521)	(521)
Voluntary contribution to reduce the capital financing requirement	(1,103)	-	(1,103)
<b>Closing Balance</b>	<b>498</b>	<b>1,376</b>	<b>1,874</b>

Details of Reserves	Purpose of Reserves
Revaluation Reserve	Store of gains and losses arising from the revaluation of fixed assets.
Usable Capital Receipts	Proceeds of fixed asset sales available to meet future capital investment
Capital Adjustment Account	Store of capital resources set aside to meet past expenditure.
General Fund	Resources available to meet future running costs for non housing services
Housing Revenue Account	Resources available to meet future running costs for council housing
Collection Fund	Resources available to meet future demands on the Collection Fund
Pensions Reserve	Balancing account to allow the inclusion of Pension Liability in the Balance Sheet
Benefits Development Fund	To help respond to changes in the benefits system
Capital Schemes	To finance capital expenditure
Community Development	To fund various community projects and provide for SHDC's contribution to projects that also drawdown external funding
Commuted Sums	To cover the long term costs of additional grounds maintenance responsibilities
Council Tax Funding	To be used to fund future years' Council Tax
Economic Development	To finance economic development activities in the District
Electoral Reform	To fund the implications of the Electoral Administration Bill
E Government	Monies for delayed E Government project
Organisational Development	To support the development of the organisation and its corporate objectives



Planning and Development:- <ul style="list-style-type: none"> <li>• Building Control</li> <li>• Housing &amp; Planning Delivery Grant</li> <li>• Local Development Framework</li> </ul>	Surplus carried forward to offset against future project costs or to secure improvements in the Building Control service  To fund future developments in Services  Monies set aside to finance the Local Development Framework
Repairs and Renewals	To provide for major expenditure incurred in maintaining, replacing and renewing the Council's equipment and facilities

#### **NOTE 40 – CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

The following contingent liability has been identified:

The Council has lost an appeal relating to enforcement notices against a small housing development. The inspector has awarded costs to the developer, however the amount is disputed and will be subject to arbitration. The developer has also submitted a complaint alleging maladministration in which they claim the council prevented their selling of properties and is seeking compensation. The Council is investigating this complaint through its formal complaints process.

The following has been identified as Contingent Asset:

The Council is seeking recovery of VAT on car parking charges. A protective claim of £318,742 has been made to Her Majesty's Revenue & Customs.

#### **NOTE 41 – AUTHORISATION OF ACCOUNTS FOR ISSUE**

The Financial Statements were authorised for issue on the 16th June 2008. 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 42 – EVENTS AFTER THE BALANCE SHEET DATE**

Since the 1<sup>st</sup> April 2008 we have created a Local Housing Company and Commenced working in partnership under the Lincolnshire Shared Services initiative in the areas of Legal Services and Procurement. We have also commenced operating the National Concessionary Travel Scheme from the 1<sup>st</sup> April 2008.

## NOTE 43 – 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.

Trust fund revenue account	Expenditure £000's	Income £000's	Net £000's
Ayscoughfee Hall & Gardens	430	(94)	336
Sir Halley Stewart Playing Field	60	(6)	54

## NOTE 44 – AMOUNTS DUE TO OR FROM RELATED PARTIES

There are no matters to be disclosed.

## NOTE 45 – RETIREMENT BENEFITS

In 2007/08 the Council paid an employer's contribution of £1,537,838 into the Lincolnshire County Council's Superannuation Fund, representing 20.6% of total pensionable pay. The contribution rate of 34.3% was determined by the Fund's actuary.

The Council is responsible for all pension payments relating to added years benefits, together with the related increases. In 2007/08 these amounted to £97,223. The total in respect of Capital costs and early years retirements for 2007/08 amounted to £37,793.

The figures have been provided by the actuaries to the Lincolnshire Pension Scheme and information held by the Council where more current records exist.

Actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the result of actuarial calculations may be affected by uncertainties within a range of possible values.

Further information can be found in Lincolnshire County Council's Superannuation Fund Annual Report, which is available from the Finance and Resources Directorate, County Offices, Newland, Lincoln, LN1 1YG

## NOTE 45 – RETIREMENT BENEFITS – FRS17 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 Local Government Pension Scheme for civilian employees, administered by Lincolnshire County Council – this is funded 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 recognize the cost of retirement benefits in the Net Cost of Service when they are earned by the employees, rather than when the benefits are actually 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	Year to 31 March 2008 £000's	Year to 31 March 2007 £000's
<b>Net Cost of Services</b>		
Current Service Cost	1,471	1,580
Past Service Costs	24	-
Curtailment and Settlements	-	16
<b>Net Operating Expenditure</b>		
Interest Cost	2,909	2,651
Expected return on assets in the scheme	(3,007)	(2,655)
<b>Net Charge to the Income and Expenditure Account</b>	<b>1,397</b>	<b>1,592</b>
Statement of Movement in the General Fund Balance	Year to 31 March 2008 £000's	Year to 31 March 2007 £000's
<b>Reversal of net charges made for retirement benefits in accordance with FRS 17</b>	<b>(1,397)</b>	<b>(1,592)</b>
Actual amount charged against the General Fund Balance for pensions in the year		
<b>Employer's contributions payable to scheme</b>	<b>1,673</b>	<b>1,462</b>

## Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March are as follows:

	Year to 31 March 2008 £000's	Year to 31 March 2007 £000's
Estimate liabilities in scheme	(48,586)	(53,809)
Estimated assets in scheme	38,937	42,192
Surplus/(deficit) at end of year	<b>(9,649)</b>	<b>(11,617)</b>

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £48.5m 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 £9.6m. 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

### 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 assumption 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 01<sup>st</sup> April 2008.

The main assumptions used in their calculations have been:

	31 March 2008 % per annum	31 March 2007 % per annum
Price increases	3.6%	3.2%
Salary increases	5.1%	4.7%
Pension increases	3.6%	3.2%
Discount rate	6.9%	5.4%

Assets in the County Council Pension Fund are valued at fair value, principally market value for investments. The Fund's assets consist of the following categories, by proportion of the total assets held by the Fund:

Assets (Employer)	Long Term Return	31 Mar 2008	31 Mar 2007
	%	%	%
Equities	7.7%	68	72
Bonds	5.7%	17	15
Property	5.7%	14	13
Cash	4.8%	1	-
<b>Total</b>		<b>100</b>	<b>100</b>

### Actuarial Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2008:

	Year to 31 March 2008 £000's	Year to 31 March 2007 £000's	Year to 31 March 2006 £000's	Year to 31 March 2005 £000's	Year to 31 March 2004 £000's
Difference between the expected and actual return on assets	(5,110)	114	5,231	1,256	3,011
<b>Percentage of assets</b>	<b>(13.1%)</b>	<b>0.3%</b>	<b>13.4%</b>	<b>4%</b>	<b>11.4%</b>
Differences between actuarial assumptions about liabilities and actual experience	(1,172)	(20)	(5)	(1,019)	(470)
<b>Percentage of liabilities</b>	<b>(2.4%)</b>	<b>(0%)</b>	<b>(0%)</b>	<b>(2.2%)</b>	<b>(1.4%)</b>
Changes in the demographic and financial assumptions used to estimate liabilities	7,974	3,187	(6,001)	(7,250)	
<b>Percentage of liabilities</b>	<b>16.4%</b>	<b>5.9%</b>	<b>11.1%</b>	<b>16.0%</b>	
<b>Total</b>	<b>1,692</b>	<b>3,281</b>	<b>(775)</b>	<b>(7,013)</b>	<b>2,541</b>

Movement in Surplus/Deficit during the Year	Year to 31 March 2008 £000's	Year to 31 March 2007 £000's
<b>Surplus/(deficit) at beginning of the year</b>	<b>(11,617)</b>	<b>(14,839)</b>
Current Service Cost	(1,471)	(1,580)
Employer Contributions	1,576	1,435
Contributions in respect of unfunded benefits	97	98
Past service costs	(24)	-
Impact of settlements and curtailments	-	(16)
Net return on assets	98	4
Actuarial gains/(losses)	1,692	3,281
<b>Surplus/(deficit) at end of year</b>	<b>(9,649)</b>	<b>(11,617)</b>

## NOTE 46 – 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	Current Year £000's
Deficit for the year on the Income and Expenditure Account	(1,971)
Surplus on the Collection Fund	179
Adjustment for non-cash items	
Depreciation and Impairment of Fixed Assets	4,145
Amortisation of Intangible Assets	67
Government grants deferred amortisation	(493)
Write down of deferred charges	623
Net gain on the sale of fixed assets	(4)
FRS 17 Pensions- Cash Adjustment	(276)
Other Non Cash Adjustments	(169)
Items included elsewhere within the Cash Flow Statement	
Investment Income	(875)
Accruals adjustment	
(Increase)/Decrease in Stocks	32
(Increase)/Decrease in Debtors	155
Increase/(Decrease) in Creditors	(227)
<b>Net Cash Flow from Revenue Activities</b>	<b>1,186</b>

Reconciliation of the Movement in cash to the Movement in the net debt	Balance 1 April 2007 £000's	Cash Flow £000's	Balance 31 March 2008 £000's
Cash at bank	607	(229)	378
Bank Overdraft	(304)	304	-
<b>Movement</b>	<b>303</b>	<b>75</b>	<b>378</b>

Analysis of other Government Grants			
Body	Purpose	Current Year £000's	Previous Year £000's
<b>Revenue Grants</b>			
Department of Works and Pensions	Housing Benefit Administration	(512)	-
Department of Communities and Local Government	Planning Delivery Grant	(268)	(370)
Lincolnshire County Council	Supporting People Grant	(548)	(752)
Department of Communities and Local Government	Local Authority Business Growth Initiative	(164)	(336)
Department of Communities and Local Government	Defective Dwellings	(66)	-
Department of Communities and Local Government	Homelessness	(44)	(91)
Department for Environment, Food and Rural affairs	Recycling	(69)	(66)
Department of Transport	Travel Concession Grant	(61)	-
Other Government Grants		(86)	(685)
<b>Total Revenue Grants</b>		<b>(1,818)</b>	<b>(2300)</b>
<b>Capital Grants</b>			
Department of Communities and Local Government	Disabled Facilities Grant	(185)	(165)
Department of Communities and Local Government	Regional Housing Capital Pot	(192)	-
Department of Works and Pensions	Introduction of Local Housing Allowance	(86)	-
<b>Total Capital Grants</b>		<b>(463)</b>	<b>(165)</b>

\* Included elsewhere within the cash flow statement

## SUPPLEMENTARY FINANCIAL STATEMENTS

### HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT

	Current Year £000's	Previous Year £000's
<b>Income</b>		
Dwelling Rents	(10,331)	(9,904)
Non Dwelling Rents	(122)	(122)
Charges for Services & Facilities	(1,318)	(1,276)
HRA Subsidy Receivable (Note 6)	(42)	(42)
Sub-total	(11,813)	(11,344)
<b>Expenditure</b>		
Repairs and Maintenance	3,814	3,730
Supervision and Management	2,159	2,145
Rents, Rates, Taxes and Other Charges	55	66
Negative HRA Subsidy Payable (Note 6)	3,225	2,977
Depreciation and Impairment of Fixed Assets (Note 3)	3,094	2,121
Sub-total	12,347	11,039
<b>Net Cost of HRA Services per authority Income and Expenditure Account</b>	<b>534</b>	<b>(305)</b>
HRA services share of Corporate and Democratic Costs	182	174
HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services	-	145
<b>Net Cost of HRA Services</b>	<b>716</b>	<b>14</b>
Interest Payable and similar charges	-	5
Interest and investment income	(23)	(40)
Pensions interest cost and expected return on pensions assets (Note 9)	(18)	(1)
<b>(Surplus) / Deficit for the Year on HRA Services</b>	<b>675</b>	<b>(22)</b>



## SUPPLEMENTARY FINANCIAL STATEMENTS

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

	Current Year £000's	Previous Year £000's
(Surplus) / deficit for year on the HRA Income and Expenditure Account	675	(22)
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year (Note 10)	(529)	179
<b>Decrease in the Housing Revenue Account Balance</b>	<b>146</b>	<b>157</b>
<b>Housing Revenue Account Balance brought forward</b>	<b>(1,522)</b>	<b>(1,679)</b>
<b>Housing Revenue Account Balance carried forward</b>	<b>(1,376)</b>	<b>(1,522)</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 2008		At 31 March 2007	
	EUV-SH £000's	EUV-VP £000's	EUV-SH £000's	EUV-VP £000's
<b>Operational Assets</b>				
Dwelling stock	194,937	389,810	191,972	383,944
Other Land and Buildings	1,125	n/a	1,120	n/a
Infrastructure – Housing Sewerage	1,300	n/a	1,300	n/a
Vehicles, Plant and Equipment	59	n/a	19	n/a
<b>Non Operational Assets</b>				
Land held for development	55	n/a	55	n/a
<b>Intangible Fixed Assets</b>	14	n/a	23	n/a
<b>Total</b>	<b>197,490</b>	<b>389,810</b>	<b>194,489</b>	<b>383,944</b>

### NOTE 2 - HOUSING STOCK

The Council was responsible for managing 3,930 dwellings at 31 March 2008 and 3,938 at 31 March 2007. The reduction is due to sales under the right to buy scheme.

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 2008

	1 Bed	2 Bed	3 Bed	4 Bed	Total
Low rise flats up to 2 storey	121	132	-	-	253
Medium rise flats of 3-5 storey and Bungalows	-	24	-	-	24
Non Traditional Dwellings	668	1,342	1,101	11	3,122
	-	164	367	-	531
<b>Total</b>	<b>789</b>	<b>1,662</b>	<b>1,468</b>	<b>11</b>	<b>3,930</b>

<b>NOTE 3 - DEPRECIATION AND IMPAIRMENT OF HOUSING FIXED ASSETS</b>	<b>Current Year £000's</b>	<b>Previous Year £000's</b>
<b>Depreciation</b>		
Dwelling Stock	2,002	1,956
Other Land and Buildings	56	51
Infrastructure - Housing Sewerage	105	99
Equipment	11	6
Intangible Assets	9	9
<b>Impairment</b>		
Dwelling Stock	911	-
<b>Total</b>	<b>3,094</b>	<b>2,121</b>

<b>NOTE 4 - HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE AND FINANCING</b>	<b>Current Year £000's</b>
<b>Housing Capital Accrued Expenditure and Financing</b>	
<b>Expenditure</b>	
Improvements and Enhancements to Council Dwellings	1,832
Improvements to Wastewater Treatments	80
Disabled Facility Grants	151
Improvements to Sheltered Accommodation	137
Information Systems	59
<b>Total</b>	<b>2,259</b>
<b>Financing</b>	
Borrowing	506
Major Repairs Reserve	1,204
Direct Revenue Financing	518
External Contributions	31
<b>Total</b>	<b>2,259</b>

<b>NOTE 5 - HOUSING REVENUE ACCOUNT CAPITAL RECEIPTS</b>	<b>Current Year £000's</b>	<b>Previous Year £000's</b>
<b>Housing Revenue Account Capital Receipts</b>		
<b>Usable Capital Receipts at 1 April</b>	<b>1,210</b>	<b>1,288</b>
Plus		
Right to buy sales in relation to dwellings	697	1,802
Mortgage repayments	3	12
Discounts on Right to buy repaid	4	80
Less		
Administration costs	(10)	(27)
Receipts used to finance capital expenditure	(7)	(895)
Receipts Pooling to DCLG	(521)	(1,050)
<b>Usable Capital Receipts at 31 March</b>	<b>1,376</b>	<b>1,210</b>

## **NOTE 6 - 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:

	<b>Current Year £000's</b>	<b>Previous Year £000's</b>
<b>Defective Housing Repurchase</b>	<b>(42)</b>	<b>(42)</b>
<b>Housing Element</b>		
Amount Carried Forward	4	(12)
Management and Maintenance Allowance	4,739	4,568
Major Repairs Allowance	2,001	1,956
Rental Constraint Allowance	187	105
Admissible Allowance	-	2
Charges for Capital	370	266
<u>Less</u>		
Assumed Rental Income	(10,524)	(9,860)
Assumed Interest on Receipts	(2)	(2)
<b>Amount Payable</b>	<b>3,225</b>	<b>2,977</b>

## NOTE 7 - RENT ARREARS

The net arrears at 31 March 2008 totalled £212,452 (£228,810 in 2006/07) and is analysed as follows:

	Current Year £000's	Previous Year £000's
<b>Rent Arrears Due From</b>		
Current Tenants	109	138
Former Tenants	101	89
Garages	2	2
<b>Total</b>	<b>212</b>	<b>229</b>
These arrears included all charges due from tenants: rents, rates and other charges.		
Provision for doubtful debts	96	85

## NOTE 8 - DEFERRED CHARGES

Deferred Charges amounting to £41,135 have been charged to the Housing Revenue Account in respect of the Choice Based Letting scheme in 2007/08.

## NOTE 9 – RETIREMENT BENEFITS

Note 45 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.

	Current Year £000's	Previous Year £000's
<b>HRA Income and Expenditure Account</b>		
Net Cost of Services		
Current Service Cost	278	217
Net Operating Cost		
Interest Cost	548	365
Expected Return on assets in the scheme	(566)	(366)
<b>Net charge to the HRA Income and Expenditure Account</b>	<b>260</b>	<b>216</b>
<b>Statement of movement on the HRA balance</b>		
Net charges made for retirement benefits in accordance with FRS 17	(260)	(216)
Actual amount charged against the General Fund Balance for pensions in the year		
Employer's contributions payable to scheme	316	197

NOTE 10- STATEMENT OF MOVEMENT ON THE HRA BALANCE	Current Year £000's	Previous Year £000's
<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	(922)	(19)
Net charges made for retirement benefits in accordance with FRS 17	(260)	(216)
<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	(181)	(165)
Employer's contributions payable to the Lincolnshire County Council Pension Fund and retirement benefits payable direct to pensioners	316	197
Capital Expenditure funded by the HRA	518	382
<b>Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year</b>	<b>(529)</b>	<b>179</b>

### NOTE 11- MAJOR REPAIRS RESERVE

As part of the HRA Subsidy the Council receives resources to maintain the value of the 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.

	Current Year £000's	Previous Year £000's
<b>Balance at 1 April</b>	-	-
Transfer from Capital Adjustment Account	2,182	2,121
Transfer from Housing Revenue Account Depreciation on non-dwellings	(181)	(165)
Financing of Capital Expenditure	(1,204)	(1,956)
<b>Balance at 31 March</b>	<b>797</b>	-

## SUPPLEMENTARY FINANCIAL STATEMENTS

### COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

This account shows the income received from Council Tax payers, Community Charge payers and Business Rate payers. It also shows how the income is distributed between South Holland District Council's General Fund, Lincolnshire County Council and the Lincolnshire Police Authority.

		Current Year £000's	Previous Year £000's
<b>Income</b>			
Income from Council Tax payers	Note 3	30,855	29,196
Transfers from General Fund Council Tax Benefit		4,379	4,223
Income from Business Rate payers	Note 4	21,565	21,400
Contributions Towards previous year's estimated Collection Fund deficit		91	185
<b>Total Income</b>		<b>56,890</b>	<b>55,004</b>
<b>Expenditure</b>			
Precepts and Demands	Note 5	35,109	33,437
Business Rates Payment to national pool Allowance for costs of collection		21,452 113	21,288 112
Provision for Council Tax Bad Debts		37	65
<b>Total Expenditure</b>		<b>56,711</b>	<b>54,902</b>
<b>Surplus/(Deficit) for the year</b>		<b>179</b>	<b>102</b>
<b>Fund Balance Brought Forward</b>		<b>(144)</b>	<b>(246)</b>
<b>Fund Balance Carried Forward</b>	Note 6	<b>35</b>	<b>(144)</b>



# NOTES TO THE COLLECTION FUND

## NOTES TO THE COLLECTION FUND ACCOUNTS

### 1. THE COUNCIL TAX SYSTEM

The Council Tax is the means of raising income from local residents to pay for council services. The Council Tax is levied on domestic properties and the charge is based on the valuation band assessed for each dwelling. There is a system of exemptions for certain types of property and discounts for certain types of people.

### 2. ACCOUNTING POLICIES

The Collection Fund Income and Expenditure Account are prepared on an accruals basis and comply with appropriate regulations and the Code of Accounting Practice.

### 3. INCOME FROM THE COUNCIL TAX

In 2007/08 the Council set a band D tax of £1,287.66. The charge for each band is a ratio of band D. The 2006/07 charges were:

<b>Band</b>	<b>Ratio to Band D</b>	<b>Council Tax £</b>
AA	5/9	£715.37
A	6/9	£858.44
B	7/9	£1,001.51
C	8/9	£1,144.59
D	9/9	£1,287.66
E	11/9	£1,573.81
F	13/9	£1,859.95
G	15/9	£2,146.10
H	18/9	£2,575.32

These charges are before any appropriate discounts or benefits. The Council Tax was set based upon a tax base of 27,266.30 properties. This is based on the listing produced by the Valuation Office and is adjusted to allow for additions, exemptions, discounts and disabled relief. The table below shows how the tax base is made up.

The expected proceeds for 2007/08 were £35,109,338. The actual proceeds (after adjusting for bad debts) were £35,197,401 giving an increase of £88,063.

Band	Dwellings per Valuation List	Adjustments/ Discounts	Revised Dwellings	Ratio to Band D	Band D Equivalent
AA	26	(1.50)	24.50	5/9	13.61
A	13,550	(1432.80)	12,117.20	6/9	8,078.13
B	7,709	(618.70)	7,090.30	7/9	5,514.68
C	9,051	(306.25)	8,744.75	8/9	7,773.11
D	3,655	(144.05)	3,510.95	1	3,511.00
E	1,587	(53.90)	1,533.10	11/9	1,873.79
F	327	(10.70)	316.30	13/9	456.88
G	94	(7.85)	86.15	15/9	143.60
H	6	(0.50)	5.50	2	11.00
<b>Total</b>	<b>36,005</b>	<b>(2,576.25)</b>	<b>33,428.75</b>	<b>-</b>	<b>27,375.80</b>
<b>Less: Allowance for non-collection District Tax Base</b>					<b>0.996</b> <b>27,266.30</b>

#### 4. BUSINESS RATE INCOME

The Non-Domestic Rate Multiplier is set nationally and for 2007/2008 was 44.4p for normal non domestic rate relief and 44.1p for small business relief. Subject to transitional arrangements, local businesses pay rates calculated by multiplying their rateable value (£50,199,228 m at 31 March 2008) by that amount. The Council collects the rate but pays the proceeds into an NNDR pool administered by the Government. National Non-Domestic rate receipts owed to the pool was £21,452,130 in 2007/08.

The Government redistributes the sums paid back to local authorities on the basis of a fixed amount per head of population. This is paid into the Council's General Fund. National Non-Domestic rate receipts from the pool amounted to £6,944,025 in 2007/08.

#### 5. PRECEPTS AND DEMANDS

PRECEPTS AND DEMANDS	
	£000's
South Holland District Council	4,604
Lincs County Council	26,917
Lincolnshire Police Authority	3,588
<b>Total</b>	<b>35,109</b>

#### 6. COLLECTION FUND SURPLUS

As at 31 March 2008 the council tax account shows a surplus of £35,426 (2006/07 a deficit of £143,690). This will be apportioned between South Holland District Council £4,071, Lincolnshire County Council £27,668 and Lincolnshire Police Authority £3,687 in future years.

The deficit in 2006/07 was apportioned between South Holland District Council (£16,654), Lincolnshire County Council (£112,153) and the Lincolnshire Police Authority (£14,883).

**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 Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) regulations 2006 in relation to the publication of a statement on internal control.

**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 three years is set out in its Corporate Plan 2007-10 (currently in revision). 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 annually. Achievement is monitored regularly by individual services, the Senior Management Team and formally by Cabinet and Scrutiny quarterly.

9. The Council's purpose, vision and priorities are developed in recognition of sub regional aims and objectives that are agreed with our partners. Recognition of strategies such as the Lincolnshire County Council sustainable community strategy, Local Area Agreement and the Rural Action Zone community strategy ensure our local vision fits and compliments the aims and aspirations of the wider community. This inclusive and consultative nature has allowed two tier governments to prosper and demonstrate strong regional governance.

### **Partnership working**

10. We are committed to improving the effectiveness of partnership working. We have focused on improving governance arrangements and building strong partner relationships in all of our partnerships including our two most significant local strategic partnerships (the South Holland Rural Action Zone LSP and the South Lincs Community Safety Partnership) 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's 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.

### **Effective Service Delivery**

12. Our annual business planning process ensures that service plans 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 recently reviewed its basket of corporate performance indicators in light of the introduction of the national indicators and a new LAA for Lincolnshire. Alongside this revision further enhancements to the council's performance management ICT system are being made to improve the level and quality of management reporting.

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 a value for money strategy, value for money toolkit and value for money matrix group with responsibility for ensuring value for money is embedded across the organisation.

### **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 Councilors is regulated by a member code of conduct supported by a number of protocols applying the principals of the code to the council's activity. The Standards Committee ensures high standards of conduct by Members of the Authority. 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. The role of the Standards Committee is likely to grow under the provisions of Part 10 of the Local Government and Public Involvement in Health Act 2007 which will necessitate review in the months ahead.

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" (eg 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.

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. During the 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, a detailed improvement plan is underway. An overview of risk management is taken by the Corporate Risk Management Group ensuring that it

is an integral part of the councils' day to day thinking. The Risk Strategy is scheduled for review where particular attention will be paid 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.

### **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)

### **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.

### **Community Engagement**

22. The council has stated its aim is to listen to and involve the community. Our consultation processes provide useful feedback on services, 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. Taking a more strategic approach to engagement a draft community engagement and consultation policy is currently being finalised identifying much clearer channels of communication with our diverse groups of stakeholders.

### **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 ongoing work of the Corporate Governance Matrix Group, who supports Senior Management Team on the development and maintenance of the governance environment. 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 2007/08 have included progression against the Equality Standard for Local Government Scheme, the revised Scheme of Delegation. 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 have 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 a robust action plan should be put in place to address ICT security and has urged Corporate Risk Management Group to implement the KPMG recommendations on risk management. These recommendations have been accepted and implementation is underway.

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 no final reports issued where assurance could not be given. Current areas of work where improvements have been identified are Pre contract procurement and ICT disaster recovery / business continuity. Procurement Lincolnshire will be assisting on procurement improvement plans.

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.

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:.....

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(Leader)

(Chief Executive)

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## **Independent auditor's report to the Member's of South Holland District Council Opinion on the financial statements**

I have audited the financial statements and related notes of South Holland District Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, the Statement of the 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 Collection Fund and the related notes. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to 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 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### **Respective responsibilities of the Chief Finance Officer and auditors**

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 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 financial statements presents fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 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 financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial 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 financial statements and related notes. It also includes an assessment of the significant estimates and judgements made by the Authority in the preparation of the financial 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 financial statements 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 financial statements and related notes.

### **Opinion**

In my opinion the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended.

Chris Wilson

District Auditor

Date: 23<sup>rd</sup> September 2008

## **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 arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

### **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.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

### **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, 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 2008.

### **Best Value Performance Plan**

I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2007/08 in October 2007. I did not identify any matters to be reported to the Council and did not make any recommendations on procedures in relation to the plan.

**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.

Chris Wilson

District Auditor

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

Date: 23 September 2008

## **GLOSSARY OF TERMS**

### **ACCOUNTING POLICIES**

define the process whereby transactions and other events are reflected in financial statements

### **ACTUARIAL GAINS & LOSSES**

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**

Amortisation is the equivalent of depreciation for intangible assets.

### **AUDIT COMMISSION**

Auditors employed to independently audit the accounts of local authorities.

### **BAD DEBT**

Debt whose repayment is known to be impossible or unlikely.

### **BUDGET**

A statement defining the council's policies over a specified period of time in terms of finance.

### **BILLING AUTHORITY**

A local authority responsible for collecting the council tax and non-domestic rates i.e. district councils, metropolitan districts, London boroughs, the City of London and unitary councils.

### **CAPITAL EXPENDITURE**

Spending on the acquisition of assets either directly by the local authority or indirectly in the form of grants to other persons or bodies. Section 40 of the Local Government and Housing Act 1989 defines expenditure for capital purposes.

### **CAPITAL RECEIPTS**

The proceeds from the disposal of land or other assets.

### **CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)**

Professional body aligned with public sector accounting

### **COLLECTION FUND**

Accounts required to be kept by the Council to record all income collected from local taxpayers, showing how this is passed on to other local authorities and government organisations.

### **COMMUNITY ASSETS**

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples are parks and historic buildings.

### **CURRENT SERVICE COST**

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

## **CURTAILMENT**

Curtailments will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

## **DEPRECIATION**

A notional charge representing the extent to which an asset has been worn out or used up during the year.

## **EMOLUMENTS**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

## **EXPECTED RATE OF RETURN ON ASSETS**

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

## **FIXED ASSETS**

Tangible assets that yield benefits to the local authority and the services it provides for more than one year (e.g. land, buildings, vehicles, plant and equipment).

## **FINANCIAL REPORTING STANDARD (FRS)**

A reference to the accounting treatments that companies in the UK would generally be expected to apply in the preparation of their financial statements.

## **GENERAL FUND**

The main revenue fund of the Council. Day to day spending on services is met from the fund.

## **HOUSING REVENUE ACCOUNT**

Local authorities are required to maintain a separate account which sets out expenditure and income arising from the provision of housing.

## **INTANGIBLE ASSET**

Intangible assets are defined as those non-monetary assets that cannot be seen, touched or physically measured and which are created through time and/or effort.

## **INTEREST ON PENSION SCHEME LIABILITIES**

The expected increase during the period in the present value of the scheme liabilities because the benefits are one year closer to settlement.

## **IRRECOVERABLE SURPLUS**

The employer may not control or be able to benefit from the whole of a surplus – it may be so large that the employer cannot absorb it all through reduced contributions. The amount recoverable through reduced contributions reflects the maximum possible to be recovered without assuming an increase in the number of employees covered by the scheme.

## **LOCAL AREA AGREEMENT**

LAAs set out the priorities for a local area agreed between central government and a local area (the local authority and Local Strategic Partnership) and other key partners at the local level.

## **LOCAL AUTHORITY BUSINESS GROWTH INCENTIVE (LABGI)**

Grant paid to Local Authorities in respect of business rate growth

## **MINIMUM REVENUE PROVISION**

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

## **MAJOR REPAIRS ALLOWANCE (MRA)**

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

## **MAJOR REPAIRS RESERVE**

Reserve which the MRA is paid into each year and which partly funds Housing Revenue Account Capital Programme Expenditure.

## **NATIONAL NON DOMESTIC RATE**

Taxation collected from the business community

## **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.

## **OUTTURN**

A total value recorded at the end of a given period.

## **PAST SERVICE COST**

Discretionary benefits awarded on early retirement are treated as past service costs. This includes added years and unreduced pension benefits awarded before the rule of 85 age.

## **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. However, if an authority was debt free at 31<sup>st</sup> March 2004, it would be subject to certain transitional arrangement where it could keep a greater proportion of its receipts.

## **PRECEPT**

The levy made on a billing authority by a Precepting Authority, requiring collection of income from council tax payers on their behalf.

## **PRECEPTING AUTHORITIES**

Those authorities which are not Billing Authorities i.e. do not collect council tax and non-domestic rate. County Councils are "major precepting authorities" and parish, community and town councils are "local precepting authorities".

### **PROJECTED UNIT METHOD**

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- The benefits for pensioners and deferred pensioners and their dependants, allowing where appropriate for future increases, and
- The accrued benefits for members in service on the valuation date

### **PROVISIONS AND RESERVES**

Amounts set aside in one year to cover expenditure in the future. Provisions are for liabilities or losses which are likely or certain to be incurred but the amounts or the dates on which they arise are uncertain. Reserves are amounts set aside which do not fall within the definition of provisions and include general reserves (or “balances”) which every authority must maintain as a matter of prudence.

### **PUBLIC WORKS LOAN BOARD**

A central government agency which provides long and short term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow

### **REVENUE SUPPORT GRANT**

A grant paid by central government in aid of local authority services.

### **SETTLEMENT**

Settlements will take account of outgoing bulk transfers and will show the difference between the FRS 17 liability and the amount paid to settle the liability.

### **STATEMENT OF RECOMMENDED PRACTICE (SORP)**

Professional guidance issued to assist Local Authority accounting.

### **SUPPORTED BORROWING**

Under the new capital financing regime introduced from 1<sup>st</sup> April 2004, Basic and Supplementary Credit Approvals ceased. A new system of revenue support was introduced with allocations of supported borrowing limits.