



FINANCIAL STATEMENTS

For the Year Ended 31 March 2017

C o n t e n t s
FINANCIAL STATEMENTS

	Page
Narrative Report	2 – 19
Statement of Responsibilities	20
 CORE FINANCIAL STATEMENTS	
Expenditure and Funding Analysis Report	21
Comprehensive Income and Expenditure Statement	22
Movement in Reserves Statement	23 – 24
Balance Sheet	25
Cash Flow Statement	26
Notes to the Accounts	27 – 86
 SUPPLEMENTARY FINANCIAL STATEMENTS	
Housing Revenue Account Income and Expenditure Statement	87
Movement on the Housing Revenue Account Statement	88
Notes to the Housing Revenue Account Statement	89 – 91
Collection Fund Statement	92
Notes to the Collection Fund Statement	93 – 94
Group Accounts	95 – 103
Independent Auditors Report	104 – 106
Annual Governance Statement	107 – 113
Glossary of Terms	114 – 119

NARRATIVE REPORT 2016/17

1 INTRODUCTION

This Report seeks to provide a summary and a straightforward explanation of the often complicated local government finance arrangements. It seeks to summarise the key events during the year, their associated financial impact and hopefully make the Financial Statements easier to understand. The Narrative Report, together with the Annual Governance Statement and the auditor's report, are outside the scope of the formal Accounts, but all of the documents constitute the Council's Financial Report for 2016/17.

The Narrative Report and the detailed accounts aim to provide information to members of the public; electors and residents of South Holland; council members; partners; stakeholders and other interested parties so that they can:

- understand the financial position of the Council and its outturn for 2016/17;
- have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner;
- be assured that the financial position of the Council is secure.

In recent years the Council has experienced major financial challenges due to reductions in central government funding, volatility on financing and cost / income pressures on services. Changes introduced as part of the financial plan for 2015 to 2020 are assisting the Council to respond and meet these challenges particularly in respect of the medium term outlook. This shift in our financial focus, away from the traditional incremental approach to annual budgeting to a more strategic outcome focused approach, has been applied to all services during the course of the year, including the Landlord service for Council housing and the associated Housing Revenue Account (HRA).

The Financial position of the Council has strengthened during the year with sound and improving Financial Management being applied in all areas. General Fund reserves have increased by £0.9m with Housing Revenue Account Balances increasing by £4.09m.

2016/17 has been a year of transition for the HRA with a fundamental review of Place Services carried out in year, following on from the review of landlord activities in 2015/16. Net savings ahead of those planned in the MTFP of approximately £0.5m have been delivered in year and this has been placed in the Major Repairs Reserve and earmarked for investment in additional council housing commencing in 2017/18.

The 2017/18 Budget and the Medium Term Financial Plan, approved by Council on 22 February 2017, shows a balanced position after a wide ranging look at all activities and we are actively seeking additional income, reductions in costs and more efficient ways of working to further improve this picture. Within the capital programme, funding has been allocated to support growth in the district, specifically for commercial enterprises, more affordable housing, investment in new technology and improvements to private sector housing.

To assist readers in understanding the financial position of South Holland the Narrative Report is structured to provide additional information in the following sections:

- The accounting requirements for the production of the accounts
- Information on South Holland as a place
- Information about the Council structure and management
- A summary of the Financial Performance of the Council 2016/17
- Future financial challenges that the Council faces
- An explanation of the Financial Statements which follow the Narrative Report.

The 2016/17 accounts have been completed within the statutory deadlines set out in the Accounts and Audit Regulations 2015. The Council's approach to finance will continue to evolve, aiding the self-service nature of financial / service management in all operations. This working model also supports current, and future, changes in the Council as a whole as it strives to increase income, reduce costs, manage demand, transform working practices, introduce innovation and maintain performance.

2. THE 2016/17 FINANCIAL STATEMENTS

The Accounts comply with the relevant accounting practices laid down by the Accounting Standards authorities and the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ('The Code'). Further information is provided within the Accounting Policies section of the Accounts.

The Accounts give a true and fair view of South Holland's financial position for the financial year 2016/17 and the balances as at 31 March 2017. The Council's approved accounting policies have been applied with regard to the Accounts, and in producing them proper and up to date accounting records were kept and all reasonable steps were taken to prevent and detect fraud and any other irregularities.

Changes to applicable legislation, *The Accounts and Audit Regulations 2015*, mean that the draft accounts no longer need to be reviewed by the Governance and Audit Committee, but in keeping with good practice the unaudited Financial Statements and the draft Annual Governance Statement were presented to the Committee on 22 June 2017. The accounts are then subsequently available for public inspection. This period for public inspection must be at least 30 working days and include the first 10 working days in July, and closed on 4 August 2017.

Formal approval of the accounts is subject to the issuance of the Independent Auditor's report, which will be received in September 2017. The Governance and Audit Committee will review the final Financial Statements which will be presented for approval ahead of the statutory deadline of 30 September 2017.

The Section 151 Officer is the statutory officer responsible for the proper administration of the Council's financial affairs (referred to in the Statements as the Chief Financial Officer). They are required by law to confirm that the Council's system of internal control can be relied upon to produce an accurate Statement of Accounts. The statement of assurance for 2016/17 (known as the Statement of Responsibilities) appears on page 20.

Section 7 of this Narrative Report provides more information on the main accounts which make up the statements

Following a review of The Code, there have been the following changes in accounting reporting arrangements for 2016/17.

- A new Expenditure and Funding Analysis (EFA) shows the financial performance of the council before and after statutory accounting changes, showing the amounts chargeable to Council Tax and the subsequent accounting changes
- The Comprehensive Income and Expenditure Statement (CIES) reports performance on the basis of how the authority is structured and how they operate, monitor and manage financial performance (rather than the previous SeRCOP format)
- A new streamlined Movement in Reserves Statement (MiRS).

In addition to the changes required by the Code, the Council has produced Group Accounts for 2016/17, consolidating the transactions relating to its subsidiary Companies South Holland Homes Community Interest Company and Welland Homes Ltd.

3. SOUTH HOLLAND AS A PLACE

South Holland district is situated in the south eastern corner of Lincolnshire. The district is located in flat fenlands reclaimed from the sea and the Council works closely with 4 Internal Drainage boards and the Environment Agency to maintain this usable land and prevent inundation.

The district has five towns: Crowland, Holbeach, Long Sutton, Spalding and Sutton Bridge and various small rural communities, with a low population density of 1.19 persons per hectare compared to an average of 2.94 in the East Midlands and 4.13 for England.

The latest population estimate for South Holland is 90,419 which is an increase of 2,230 (2.5%) since the 2011 census. Working age population is estimated to be 54,195 (60%) and residents aged 65 and over are approximately 24% of the population. The rate of growth in the population was one of the highest for a local authority area and it is predicted the population will increase to 102,000 by 2021, which is a higher rate of growth than generally predicted for England and Wales.

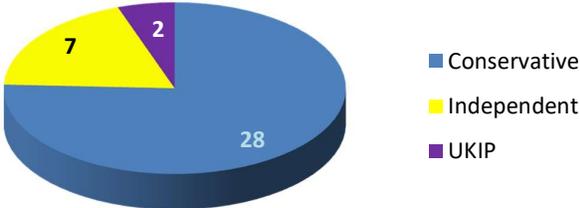
The number of households in the district is approximately 38,300 with Spalding, the largest town, having an estimated population of 33,471.

All statistics are based on the Office for National Statistics 2015 mid-year estimates.

The South Holland economy is largely based upon agriculture, horticulture and food processing, and their associated distribution and packaging services. Generally levels of unemployment are low compared to the national average.

4. SOUTH HOLLAND DISTRICT COUNCIL

South Holland has 18 Wards, 37 Councillors and following the local election in May 2015 the political make-up of the Council was as follows:



South Holland District Council is a forward-thinking, entrepreneurial and innovative authority, which continues to strive for excellence and deliver great value for money for our residents, whilst making the most of the huge opportunities for economic growth in our district.

The Council has adopted the Leader and Cabinet model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The Leader of the Council has responsibility for the appointment of Members of the Cabinet, the allocation of Portfolios and the delegation of Executive Functions.

Cabinet Members are held to account by a system of scrutiny which is also set out in the Constitution. Scrutiny of Executive decisions for 2016/17, including the setting of a balanced budget for 2017/18 has been undertaken by the following committees:

- Policy Development Panel
- Performance Management Panel
- Governance and Audit Committee

Joint meetings of the committees were held on occasions during the year.

Management Performance 2016/17

To support the work of Councillors there is a Senior Management Team led by Anna Graves, Chief Executive. The Council has shared management arrangements with Breckland District Council which has been in place for five years and has brought a number of benefits, including significant financial savings, and the exchange of valuable skills, knowledge and experience.

During the year the Executive Management Team was led by the Chief Executive and 3 Executive Directors:



In addition there are 5 shared executive managers which completes the Executive Management Team.

There is also a dedicated team of shared managers and service managers to support the delivery of services for both councils.

Corporate Plan

The Plan was refreshed in 2015 and extends to 2019. The Medium Term Financial Plan for 2017 to 2021 was closely aligned to the Council objectives, aims and priorities within the Corporate Plan.

The Corporate Plan also sets out how we work with partners and the community to ensure that South Holland continues to be a place of choice for people to live, work, visit and play.

It is based on information about the area and identifies how we will achieve our long term vision, what our key priorities are and how we will deliver the services our residents want.

The ambition embodied in the plan is to continue to increase the prosperity and wellbeing of our residents and businesses, whilst striving to protect and enhance the environment and the unique and historic character of the district.

Our main priorities and achievements in 2016/17 and future plans are summarised below.

“To develop safer, stronger, healthier and more independent communities while protecting the most vulnerable.”

We have...

- Secured funding to the district for projects to improve community facilities such as village halls and skate parks, creating and promoting volunteering opportunities, and providing advice on welfare changes and benefits advice to residents

We will...

- Enable effective housing solutions to meet local needs by providing access to a range of housing options, commencing a new ambitious house building programme, influencing standards and being a landlord of choice in the district
- Lead and support a Health and Wellbeing Partnership to address key local health, care and wellbeing issues
- Work with partners and invest in facilities to support older people to remain active, participative and live independently within the community.

“To have pride in the district and assist residents to develop and thrive”

We have...

- Spent £88k on our ‘Pride in South Holland’ campaign to involve local people in cleaning up the district
- Introduced a successful pilot scheme of bins for the collection of green waste
- Installed additional bins in public areas and achieved faster clean up times by street cleansing teams

We will...

- Make available additional funding in 2017/18 to increase the scope of the Pride in South Holland project and review the street cleansing standard to embody principles and lessons learned from activity in 2016/17
- Develop and implement a local planning and development structure to achieve substantial growth
- Work towards delivery and maintenance of a five year housing land supply
- Work with our partners to reduce and prevent crime and anti-social behaviour

“To provide the right services, at the right time and in the right way”

We have...

- Modernised services to include the introduction of electronic submissions for planning and building control applications and enhanced mobile and remote working arrangements
- Introduced a commercial approach to the delivery and funding of services in order to secure our financial position.

We will...

- Develop and redesign our organisations to be business ready, community focused and partners of choice
- Develop and implement a strategy to equip staff with the skills needed to drive the organisation forward

“To encourage the local economy to be vibrant with continued growth”

We have...

- Completed the fourth year of a Grants for Growth Project and introduced a new round of grant funding for businesses
- Supported new businesses with reduced introductory rent periods when taking one of the 50 Council industrial units within the district
- Awarded Section 106 funding from planning contributions to projects in Spalding and Sutton Bridge to enhance towns within the district

We will...

- Build strong working relationships across all sectors to draw in funding and resources to the district
- Work with our partners to ensure that the technological infrastructure is available, accessible and meets the needs of our communities and businesses

5. SUMMARY OF THE FINANCIAL PERFORMANCE 2016/17

5.1 The Financial Context of the Council

The financial activities of the Council can be split between revenue and capital and, in general terms, can be defined as follows:

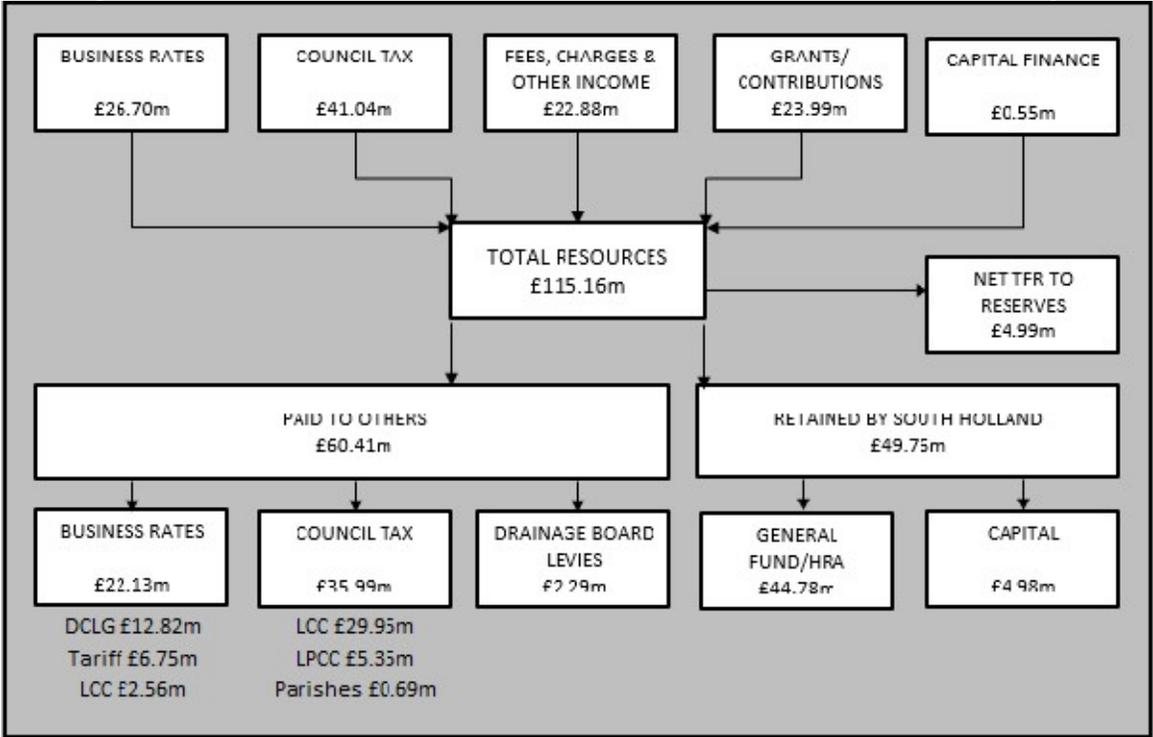
- Income and expenditure within the revenue accounts of the Council relate to items consumed within the year
- Income and expenditure within the capital accounts relate to items with a life in excess of one year.

The Council is responsible for managing cash flows and assets exceeding £292m.

The Council

- Collects £26.70m of business rates. Of this £22.13m is passed to the County Council and to the Government
- Collects £41.04m in Council tax. Of this £35.99m is passed on to the County Council and Lincolnshire Police and Town and Parish Councils.
- Generates and receives £46.87m in fees, charges, grants and other income, used to help deliver services and as importantly help keep council tax levels down.
- Holds £179m of non-current assets most of which are housing and other operational assets used to deliver services.

The diagram below illustrates the cash flow of income into and out of the Council during 2016/17.



In common with all areas of local government the Council has seen a steady decline in its core funding support from the Government. This has put an increased pressure on levels of Council Tax and against this background the Council has had to demonstrate sound financial management. In order to deliver the required levels of service, year on year, it has delivered of savings through minimising expenditure and maximising income.

5.2 The Council Finances 2016/17

The accounting statements provide the formal presentational analysis of how the Council has used the resources available to it in the year, and the balances held at the year end.

The following paragraphs provide detail on the following information within the Statements:

- The amount of revenue expenditure, how it was paid for and how it compared to budget
- The amount of capital expenditure, how it was paid for and how it compared to budget
- The reserves held by the Council
- The Balance Sheet or net worth of the Council
- Future financial challenges

Note: The income and expenditure items below relating to the General Fund and Housing Revenue Account are showing the Council's position only. The balance sheet summary on page 15 includes the impact of the joint operation arrangement (Compass Point Business Services).

Revenue Income and Expenditure

The Council operates both a General Fund and a Housing Revenue Account.

The General Fund includes all income and expenditure incurred in the day-to-day running of (non-Council housing) services. The Council's revenue expenditure is aimed at delivering services in accordance with local priorities as well as those services that we have to provide by law. The key services we provide include; Refuse Collection, Recycling, Street Cleansing, Housing Advice and Homelessness, Planning and Building Control, Licensing, Enterprise and Growth, and Community Development. Services are organised in Directorates.

The Housing Revenue Account (HRA) reflects the costs and income of the Landlord service for council housing. This is a ringfenced account and all entries to the account are governed by law.

To fund its day to day expenditure the Council receives money from various sources. The following section reviews the money received by the Council in 2016/17 and how it was spent.

Income comes primarily from the following sources:

1. Central Government Revenue Support Grant (RSG)
2. Localised Business Rates
3. Council Tax
4. Other government grants e.g. New Homes Bonus, Housing Benefit Subsidy
5. Fees and charges for services and rents from assets.
6. Non-government grants from organisations such as Lincolnshire County Council and National Lottery.

The Council's revenue expenditure is aimed at delivering services in accordance with local priorities as well as those services that we have to provide by law.

The Council's net General Fund revenue budget, that is gross expenditure less fees and charges and service specific grants and other income, is funded from the estimated levels of Revenue Support Grant, Business Rates, some non-specific government grants and Council Tax. The revised net budget for the Council was £11.594m. Operationally, the Council made a net surplus of £0.756m on its revenue budget, which enabled it to make additional transfers to reserves. The 2016/17 revenue budget was examined in great detail during the year as part of the development of the 2017/18 budget and Medium Term Financial Plan. A revised budget was agreed by Cabinet and ratified by Council in February 2017.

Tables 1a and 1b provide a summary of the Council's General Fund and HRA Outturn position for 2016/17, as compared to the Council's revised budget.

Table 1a – General Fund Outturn

	Revised Budget £'000	Actual Outturn £'000	Variance £'000
Growth and Commercialisation Directorate	1,901	1,188	713
Place Directorate – General Fund	4,424	4,354	70
Place Directorate – Investment Properties	(53)	(63)	10
Strategy and Governance Directorate	4,017	3,684	333
Statutory recharge to the HRA for support services	(884)	(884)	-
Cost of Service	9,405	8,279	1,126
Internal Drainage Boards and Parish Precepts	2,988	2,981	7
Investment Income (General Fund)	(205)	(148)	(57)
Capital Financing and Other Adjustments	121	9	112
Transfers to /(from) General Fund Reserves	(715)	902	(1,617)
Net Expenditure	11,594	12,023	(429)
Funding			
Council Tax	(5,272)	(5,272)	-
Government Grants	(3,558)	(4,013)	455
Retained NNDR	(2,764)	(2,738)	(26)
Total Funding	(11,594)	(12,023)	429
Variance	-	-	-

The directorates each cover the following services:

Strategy and Governance: Corporate improvement and performance, communications and marketing, corporate management, members, elections, human resources, ICT services.

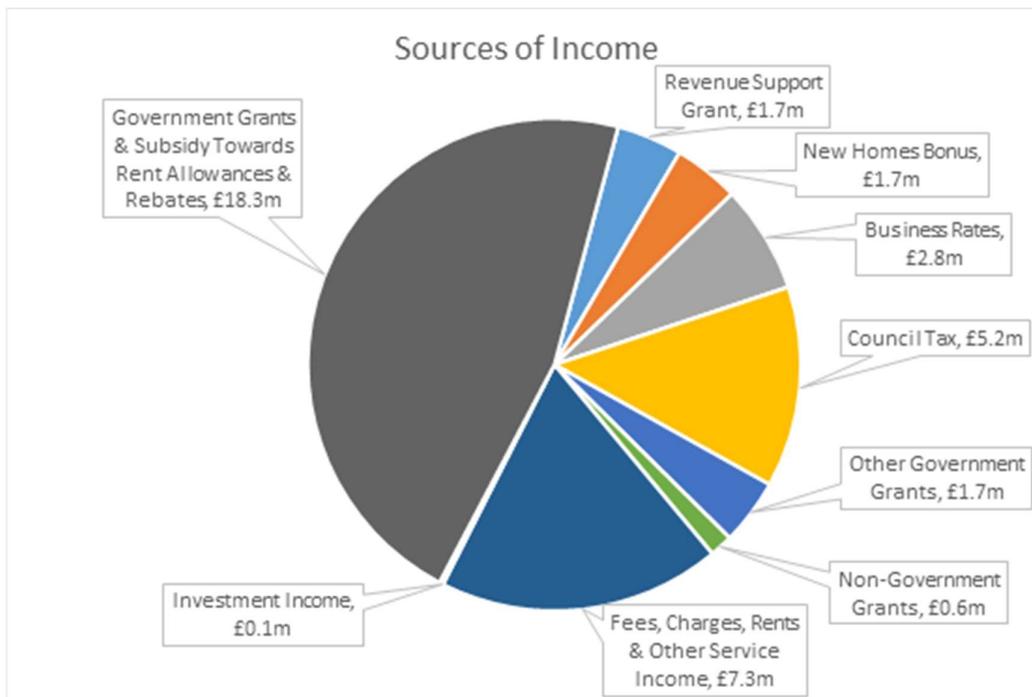
Growth and Commercialisation: Economic development. Local plan and planning policy, housing strategy, environmental health, collection of all revenues, benefit services, corporate finance including investment income, government grants and other funding, and use of reserves.

Place: All council assets and property, building control, planning services, licensing, community services (including leisure, events, CCTV), environmental services (including refuse collection, recycling, green waste collection and street cleaning), housing services such as disabled facility grants, homelessness and housing advice, houses in multiple occupation. Also included is the Council's housing landlord service.

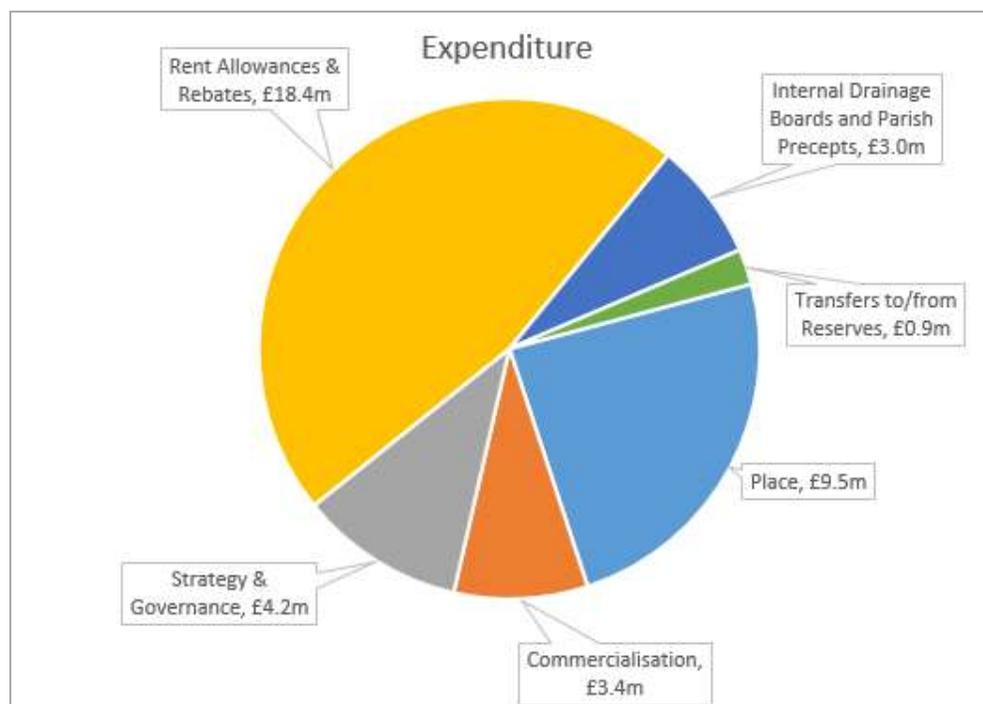
Sources of Funding and Areas of Expenditure

The pie charts below show where all the Council's General Fund money came from and also how that money was spent by directorate/area of spend.

Where the money comes from



What the money was spent on by Directorate and Area of Spend



The HRA delivered a balanced outturn position after funding capital expenditure and making transfers to the Major Repairs Reserve. 2016/17 has been a year of transition for the HRA with a fundamental review of Place Services carried out in year following on from the review of landlord activities in 2015/16. Net savings ahead of those planned in the MTFP of approximately £0.5m have been delivered in year and this has been placed in the Major Repairs Reserve and earmarked for investment in additional council housing commencing in 2017/18. The business plan for the HRA is currently undergoing a review in order to inform future plans for asset management, capital investment, fees and charges and revenue expenditure plans and it is intended that this will define the future programme of activity to deliver affordable homes for the HRA.

Table 1b – HRA Outturn

	Budget	Actual Outturn	Variance
	£'000	£'000	£'000
Rent Income - Dwellings	(15,233)	(15,308)	75
Charges for Services and Facilities	(1,129)	(1,131)	2
Contributions to Expenditure	(37)	(29)	(8)
Total Income	(16,399)	(16,468)	69
Repairs and Maintenance	2,877	2,232	645
Supervision and Management	3,989	3,817	172
Rents, rates, taxes and other charges	57	50	7
Depreciation	1,595	2,296	(701)
Movement in the allowance for bad debts	-	66	(66)
Revaluation of non-current assets	-	11	(11)
Statutory recharge to the HRA for support services	884	884	-
Total Expenditure	9,402	9,356	46
Contribution from Operations	(6,997)	(7,112)	115
Investment Income	(62)	(62)	-
Interest Payable on £67.456m	2,347	2,347	-
Transfer to Major Repairs Reserve for Capital Investment	4,712	4,827	(115)
Net (Surplus)/Deficit	-	-	-

Capital Income and Expenditure

As well as delivering day to day services, the Council also spends money on capital items, which generally become assets. These assets may be property, plant or equipment owned by the Council or grants made to other organisations and individuals towards capital expenditure that they are incurring e.g. Disabled Facility Grants. The Council has a capital programme for both General Fund and HRA activity. The Council's 2016/17 Capital Strategy, approved at Council in February 2016, provided the framework within which the Council's capital investment plans were to be delivered. The capital programme for 2016/17 to 2020/21 mirrored the Council's overall Medium Term Financial Strategy and aims to ensure that available resources match planned expenditure and that capital expenditure is prudent, affordable and sustainable.

In 2016/17 the Council spent £4.976m on capital projects. Additional budgeted expenditure totalling £2.611m has been moved to the 2017/18 capital programme where projects are ongoing.

Tables 2 and 3 below summarise capital expenditure for 2016/17 and how that expenditure was funded.

Table 2 – General Fund Capital Programme

	Budget 2016/17 £'000	Outturn 2016/17 £'000	Variance £'000
Disabled Facilities Grants	458	237	221
Decent Homes Unfit and Disrepair	75	22	53
New Gardens of Rest – Sutton Bridge PC	-	143	(143)
Growth Fund	50	-	50
Welland Homes	2,051	1,286	765
Travellers Sites	408	206	202
Council Chamber Conference System	28	-	28
Broadband Lincolnshire	36	36	-
Digital Vision	200	18	182
System Back up	30	-	30
Network Upgrades	25	-	25
Disaster Recovery	50	-	50
ICT Infrastructure	166	-	166
Asset Management System	-	(24)	24
Total General Fund	3,577	1,924	1,653
Financed By:			
Capital Receipts		(6)	
Capital Grants and Contributions		607	
Internal Borrowing		1,287	
Revenue Resources		36	
Total General Fund		1,924	

Total expenditure to be slipped into the 2017/18 capital programme will be £1.054m, relating to Welland Homes £0.765m, Travellers Sites £0.123m and ICT £0.166m.

Table 3 HRA Capital Programme

	Budget 2016/17 £'000	Outturn 2016/17 £'000	Variance £'000
Central Heating Upgrade	1,293	1,153	140
Kitchen and Bathroom Replacement	1,410	639	771
Electrical Upgrade	106	49	57
Renewable Energy and Energy Efficiency	105	73	32
Decent Homes Component Replacements	230	-	230
Council House – Re-Roofing	639	403	236
Decent Homes	3,783	2,317	1,466
Sewerage Treatment Plant	65	73	(8)
The Square	263	308	(45)
Off Street Parking	60	58	2
Major Area Schemes	388	439	(51)
Allocation & Lettings	18	-	18
Asset Management	70	-	70
ICT Strategy	10	-	10
IT/System	98	-	98
Major Adaptions	450	243	207
Aids & Adaptions	450	243	207
New Build	1,375	53	1,322
Purchase of Units – Ex Council	920	-	920
Buy Back – Shared Ownership	165	-	165
Affordable Housing	2,460	53	2,407
Total HRA	7,179	3,052	4,127
Financed by:			
Capital Receipts		16	
Major Repairs Reserve		3,036	
Total HRA		3,052	

Total expenditure to be transferred into the 2017/18 capital programme of £1.557m which will be held for projects relating to affordable housing.

A detailed review of the General Fund and HRA five year capital programme will be undertaken in 2017/18 as the Council's transformation programme and the HRA Business Plan are developed.

Reserves

The Council holds a number of earmarked reserves to fund future capital and revenue expenditure and to provide some cushion against future financial pressures. Each reserve has a designated purpose. Table 4 summarises the net movement across the Council's General Fund reserves.

After all transfers to and from reserves the Council's earmarked reserves increased by £0.902m from £7.44m to £8.34m (see note 9, page 50). The General Reserve has remained at £2.064m.

General Fund Reserve	Balance 31 March 2016 £'000	Transfers to £'000	Transfers from £'000	Balance 31 March 2017 £'000
Transformation	973	-	(164)	809
Investment and Growth	3,305	1,448	-	4,753
Service Grant Income Reserve	-	254	-	254
Council Tax	2,704	793	(1,415)	2,082
Insurance	220	-	-	220
Replacement & Refurbishment	239	136	(150)	225
Total Specific GF Reserves	7,441	2,631	(1,729)	8,343
General Balance	2,064	-	-	2,064
Total Reserves	9,505	2,631	(1,729)	10,407

Use of reserves (£1.729m) was made to fund various repairs and maintenance costs, the Pride in South Holland project, litter education work, leisure services, community grants, Local Plan costs, and a budgeted draw down of previous business rates surpluses to help deliver a balanced budget. In addition the Council had also budgeted to make use of its reserves to fund delivery of its Transformation Programme. Changes in the delivery of this programme meant that expenditure was £530k less than planned in 2016/17 (with use of reserves slipped into 2017/18).

Contributions to reserves (£2.631m) included New Homes Bonus (as estimated) and in addition the Council received £254k of unbudgeted government grants which it has transferred to the earmarked Grants reserve with plans to spend in future years. The net year end surplus on the General Fund of £472k was also transferred into the Council Tax reserve.

The Housing Revenue Account reserves have been increased by £4.087m which will be used to fund future capital expenditure requirements. (see Movement in Reserves Statement, page 23).

HRA Reserve	Balance 31 March 2016 £'000	Transfers to £'000	Transfers from £'000	Balance 31 March 2017 £'000
HRA Working Balance	8,968	-	-	8,968
HRA Insurance	200	-	-	200
Major Repairs	2,609	7,123	(3,036)	6,696
Total Reserves	11,777	7,123	(3,036)	15,864

Balance Sheet - The Council's Net Worth (page 25)

The Balance Sheet shows the value of the amounts held, owed to and owed by the Council as at 31 March 2017. The values are arrived at in a number of ways and in accordance with the Council's accounting policies. The values in the Balance Sheet represent those at just one point in time at the year end and are summarised in Table 6 below.

Within long term assets the balance sheet value of HRA Council Dwellings has increased significantly at 31 March 2017. Valuations have increased to reflect those changes to private and public sector rents and yields since its last review date in 2010.

Table 6 Summary of the Balance Sheet

	31 March 2016 £m	31 March 2017 £m
Long term Assets	147	179
Net Current Assets (Current Assets less Current Liabilities)	23	28
Long term Liabilities	(98)	(105)
Net Assets	72	102
<i>Represented by:</i>		
Usable Reserves	26	32
Unusable Reserves	46	70
Total Reserves	72	102

Long term assets are generally valued in the Balance Sheet at fair value in their existing use or highest and best use for surplus assets and investment properties.

Current liabilities include an increased provision of £1.831m for appeals against business rates. Business rates are payable based on a property valuation and since 2010 we have been receiving appeals against the revaluation done that year. Appeals will be ongoing in the future against the new revaluations which came into effect from 1 April 2017. We have a provision of £1.831m for successful appeals and this is based on external expert advice and 40% (our share) of the potential refunds when appeals are heard.

Within long term liabilities a £7.169m increase in the net Pension Liability is reported at the year end to £37.523m (£30.354m at 31 March 2016) as calculated by the actuary to the Lincolnshire County Council Pension Fund, Hymans Robertson. This represents an assessment of the Council's proportion of net assets and liabilities within the fund that is matched by a Pension Reserve in the Balance Sheet, and therefore has no immediate impact on the Council's overall financial position at 31 March 2017. The Council relies and places assurance on the professional judgement of the Actuary and the assumptions used to calculate this valuation.

Long term liabilities include £67.456m of borrowing which was set up to finance Council Housing changes in 2012. No further borrowing was undertaken by the Council in the financial year.

Treasury Management expertise is applied during the year. However, interest rates available in the market have remained low such that, despite a general increase in the value of funds invested, the levels of interest earned on balances at £213k was lower than the previous year (£236k in 2015/16).

	31 March 2016 £m	31 March 2017 £m
Cash and Other Cash Equivalents	7	4
Short term Investments	21	29
Funds under Treasury Management	28	33

6. FUTURE CHALLENGES

There are a number of areas of known risk where the Council will need to evaluate and assess the likely impact, whether that is as a positive opportunity or as a threat. The Council will regularly review its risk management process to ensure that decisions are taken which aim to mitigate any risks and maximise any opportunities.

Change of Government Policies and Local Government Finance

The changing environment of local authority finance means that the Council is facing increasing risks and uncertainty in respect of the resources that it will have available to it. Following the 2015 election and post the EU referendum the Government's stance on public sector funding has been one of continued reductions in the direct grant provided by Government and an increased emphasis on Local Government generating resources itself, be that from Business Rates, fees and charges or Council Tax.

The general election in 2017 may also result in a change in the priorities and the delivery of government policy, which could in turn have an impact on the funding and delivery of local services

In line with the proposal for 100% localisation of business rates by 2020, announced by the Chancellor in November 2015, the Council is currently working on the assumption that all government grant support will cease over the next three years (£1.8m Revenue Support Grant and £1.7m New Homes Bonus). The Government offered a more certain funding four year settlement plan for those authorities who were able to demonstrate future efficiency plans. The Council has a Transformation Programme in place and as such has received a funding proposal from 2017/18 through the period up to devolution of business rates.

Where possible the Council will need to take action to try and boost economic growth in the District and grow the level of business rates income that it receives. The Council will also need to find increased levels of efficiency within its service budgets and acknowledge that it can no longer deliver services in the same way or to the same extent that it has done in the past.

While predicting and controlling the level of external funding resources may be difficult, where possible the Council uses its budget management processes, reserves and general balances to mitigate those risks that it can try and control. It will also aim to deliver its services in a way which attempts to reduce its exposure to certain risks. As part of its development of more independent funding sources the Council is undertaking a complete review of all its assets and its ability to generate additional resources from these sources.

The provision of services in the District's area is also reliant upon funding and service delivery from other public sector organisations such as the County Council. Funding pressures within these organisations will inevitably impact on South Holland, especially where these organisations currently provide grant funding to the District Council.

These financial uncertainties will require vigilance as they are progressed, to ensure that the Council is not being adversely affected and, where necessary, that measures are put in place to take corrective action.

Delivering a sustainable Medium Term Financial Strategy (MTFS)

Given the financial risks above, the Council must plan ahead to ensure that it can continue to deliver priority services over the medium term. The Council has made reductions in its expenditure and anticipates increased income from fees and charges in order to deliver a balanced budget for 2017/18. Beyond 2017/18 required reductions in expenditure are anticipated to have a significant impact on the services that it will be able to provide. The Council has absorbed a net loss in government funding of £624k in 2017/18 (plus other budget pressures).

The MTFS estimates ongoing annual budget savings of approximately £1.2m by 2020/21. The 2017/18 budget has delivered budget savings through the continued implementation of its Transformation Programme. The emerging Growth and Commercialisation agenda will also support the generation of additional income and savings.

In recent years the Council has been able to make some contributions to reserves, which will provide a buffer against future reduced funding and other financial risks. Given the identified need for ongoing savings the Council must implement its Transformation Programme as fully as possible.

Leaving the European Union

The decision to leave the EU has raised many questions about what the implications will be for local authorities and what steps need to be taken to ensure that local authorities are prepared for the future. It will take some time to fully understand what the EU exit will mean. There will be political, financial and social threads to the developing picture. Maintaining robust financial management and effective service planning will be essential.

7. EXPLANATION OF ACCOUNTING STATEMENTS

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2017. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which in turn is underpinned by International Financial Reporting Standards.

A Glossary of key terms can be found at the end of this publication.

- **Expenditure and Funding Analysis** – shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services
- **Group and South Holland District Council Movement in Reserves Statement** is a summary of the changes to the Council's reserves over the course of the year. Reserves are divided into "usable", which can be invested in capital projects or services improvements, and "unusable" which must be set aside for specific purposes
- **Group and South Holland District Council Comprehensive Income and Expenditure Statement** – this records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area. The bottom half of the statement deals with corporate transactions and funding. Expenditure represents a combination of:
 - Services and activities that the Council is required to carry out by law (statutory duties) such as street cleaning, planning, refuse collection; and,
 - Discretionary expenditure focused on local priorities and needs.
- **Group and South Holland District Council Balance Sheet** is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the year end date
- **Group and South Holland District Council Cash Flow Statement** shows the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities
- **Accounting Policies** – these explain the basis of the figures presented in the accounts
- **Notes to the Accounts** – these provide further details on some of the figures included in the Account.

Supplementary Financial Statements

- **The Housing Revenue Account Statement** reflects the landlord function of the Council and is prepared in accordance with a statutory obligation to maintain a revenue account for local authority housing provision; Part 6 of the Local Government and Housing Act 1989.
- **Collection Fund** – this reflects the statutory requirement for the Council to maintain a separate account providing details of receipts of Council Tax and Business Rates, and any associated payments to precepting authorities, and the Government.

Group Accounts

- The Council has produced Group Accounts for 2016/17, consisting of a Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and Cash Flow Statement, consolidating the transactions relating to its subsidiary Companies South Holland Homes Community Interest Company and Welland Homes Ltd.

Corporate Risks

The Council has a comprehensive Risk Management Strategy which utilises the management performance monitoring system “Covalent” which is web based and available for managers as necessary. Strategic risks are monitored monthly as a minimum by the Executive Management Team and are reported to Governance and Audit Committee on a quarterly basis. All services maintain operational risk registers and new projects must identify risks at all stages of progress from inception.

There were thirteen strategic risks identified at the end of March 2017 and the top five are summarised below, where the likelihood of an occurrence is rated at 12 out of 25 or above.

Risk	Score	Description	Mitigation
Medium Term Financial Plan not delivered	12	The Medium Term Financial Plan includes a balanced position which is dependant on delivery of the “Moving Forward” Transformation plan	There are a number of controls in place to track delivery including Transformation Board, Performance, Risk and Audit Board and Finance Board. PI's are tracking the variance from the plan.
Failure to maximise trading opportunities	12	Failure to maximise trading opportunities could result in lack of commercial exploitation of assets or income from trading arms	Governance is in place for MTFP through Transformation Board, Finance Board and Performance Risk and Audit Board which monitor the work towards maximising trading opportunities
Staff recruitment and retention at all levels within the organisation	12	Staff recruitment and retention issues could undermine the effectiveness of the organisations though loss of experience and knowledge	The mitigation for key senior posts that are vacant or serving their notice period will be to start recruitment and find suitable interim cover.
CPBS Failure to deliver core services	12	CPBS Failure to deliver core services - HR/IT/Finance/Revenues & Benefits/Customer Operations	Number of Governance processes in place including monitoring of performance in performance, risk and audit board. CPBS also has its own board with governance.
Failure to deliver Local Plan and its Delivery Plan	12	Failure to deliver Local Plan and its Delivery Plan - reputational and financial risk due to possible Secretary of State intervention. There is also a new risk emerging due to New Homes Bonus	Dedicated senior officer and Executive Management Team support to deliver the local plan

A risk matrix is used to derive the above score using five factors measuring potential level of impact, which is based on best practice in comparable organisations.

	Unlikely (1)	Possible (2)	Plausible (3)	Likely (4)	Certain (5)
Critical (5)					
High (4)					
Medium (3)					
Low (2)					
Minimal (1)					

Key	High Risk		Medium Risk		Low Risk	
------------	------------------	--	--------------------	--	-----------------	--

8. FURTHER INFORMATION

Further information on the Statement of Accounts is available from Compass Point Business Services, who provide all financial services for the Council. This is available as follows:

- In writing - to Financial Services, Council Offices, Priory Road, Spalding, Lincs PE11 2XE.
- By telephone - 01775 761161
- By e-mail - to Customer Services at info@sholland.gov.uk

The accounts are available on our web-site at www.sholland.gov.uk

Christine Marshall, Executive Director Growth and Commercialisation and Section 151 Officer
12 September 2017

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council 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 Council, that officer is the Executive Director Growth and Commercialisation
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Financial Statements, delegated to the Governance and Audit Committee.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Council's Financial Statements in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom (the Code)*.

In preparing the Financial Statements, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code
- kept proper accounting records which were up to date and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification by the Chief Financial Officer

I hereby certify that the Financial Statements give a 'true and fair' view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31 March 2017.

Christine Marshall
Executive Director Growth and
Commercialisation

Dated: 12 September 2017

Approval of the Financial Statements

I confirm that the Financial Statements were approved by the Governance and Audit Committee at its meeting held on the 12 September 2017.

Signed on behalf of South Holland District
Council:

Cllr George Aley
Chair of meeting approving the accounts

Dated: 12 September 2017

EXPENDITURE AND FUNDING ANALYSIS

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

2015/16				2016/17		
Net Expenditure Chargeable to the General Fund and HRA Balance £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable to the General Fund and HRA Balance £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
1,268	1,118	2,386	Growth and Commercialisation Directorate	1,095	197	1,292
1,351	(3,961)	(2,610)	Place Directorate	1,360	(4,185)	(2,825)
3,456	226	3,682	Strategy and Governance Directorate	3,511	196	3,707
-	-	-	Exceptional Item – Revaluation of Council Dwellings following change in Social Housing Factor for the East Midlands	-	(24,400)	(24,400)
6,075	(2,617)	3,458	Net Cost of Services	5,966	(28,192)	(22,226)
(4,288)	(2,469)	(6,757)	Other Income and Expenditure	(6,981)	1,485	(5,496)
1,787	(5,086)	(3,299)	(Surplus) or Deficit	(1,015)	(26,707)	(27,722)

General Fund Balance £000	HRA Balance £000	Total £000		General Fund Balance £000	HRA Balance £000	Total £000
2,055	8,968	11,023	Opening Balance at 1 April	2,101	8,968	11,069
46	-	46	(Surplus) or Deficit in Year (after transfers to/from earmarked reserves)	113	-	113
2,101	8,968	11,069	Closing Balance at 31 March	2,214	8,968	11,182

The notes to the accounts on pages 27 - 86 form an integral part of the Financial Statements.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). The Council raises taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Gross Expenditure £000	Restated 2015/16 Gross Income £000	Net Expenditure £000		Gross Expenditure £000	2016/17 Gross Income £000	Net Expenditure £000
23,643	(21,257)	2,386	Growth and Commercialisation Directorate	21,709	(20,417)	1,292
18,199	(20,809)	(2,610)	Place Directorate	17,986	(20,811)	(2,825)
3,947	(265)	3,682	Strategy and Governance Directorate	4,115	(408)	3,707
-	-	-	Exceptional Item – Revaluation of Council Dwellings following change in Social Housing Factor for the East Midlands	(24,400)	-	(24,400)
45,789	(42,331)	3,458	Cost of Services	19,410	(41,636)	(22,226)
4,389	(1,404)	2,985	Other operating expenditure (Note 10)	5,074	(1,466)	3,608
5,106	(1,976)	3,130	Financing and investment income and expenditure (Note 11)	5,209	(2,101)	3,108
7,221	(20,093)	(12,872)	Taxation and non-specific grant income and expenditure (Note 12)	6,751	(18,963)	(12,212)
62,505	(65,804)	(3,299)	(Surplus) or Deficit on the Provision of Services	36,444	(64,166)	(27,722)
		(2,473)	Surplus on revaluation of property, plant and equipment assets			(8,487)
		(5,606)	Remeasurements of the net defined benefit liability			6,128
		(8,079)	Other Comprehensive Income and Expenditure			(2,359)
		11,378	Total Comprehensive Income and Expenditure			(30,081)

The notes to the accounts on pages 27 - 86 form an integral part of the Financial Statements.

MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

2016/17	General Fund Balance	General Fund Earmarked Reserves	Housing Revenue Account	HRA Earmarked Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2016	2,101	7,441	8,968	200	2,609	2,579	1,688	25,586	46,272	71,858
Movement in Reserves during 2016/17										
Total Comprehensive Income and Expenditure	(1,781)	-	29,503	-	-	-	-	27,722	2,359	30,081
Adjustments between accounting basis and funding basis under regulations (Note 8)	2,796	-	(29,503)	-	4,087	993	(76)	(21,703)	21,703	-
Increase/(Decrease) in 2016/17	1,015	-	-	-	4,087	993	(76)	6,019	24,062	30,081
Transfer to/(from) Earmarked Reserves	(902)	902	-	-	-	-	-	-	-	-
Balance at 31 March 2017 carried forward	2,214	8,343	8,968	200	6,696	3,572	1,612	31,605	70,334	101,939

2015/16	General Fund Balance	General Fund Earmarked Reserves	Housing Revenue Account	HRA Earmarked Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2015	2,055	9,274	8,968	200	-	1,907	1,522	23,926	36,554	60,480
Movement in Reserves during 2015/16										
Total Comprehensive Income and Expenditure	(1,895)	-	5,194	-	-	-	-	3,299	8,079	11,378
Adjustments between accounting basis and funding basis under regulations (Note 8)	108	-	(5,194)	-	2,609	672	166	(1,639)	1,639	-
Increase/(Decrease) in 2015/16	(1,787)	-	-	-	2,609	672	166	1,660	9,718	11,378
Transfer to/from Earmarked Reserves	1,833	(1,833)	-	-	-	-	-	-	-	-
Balance at 31 March 2016 carried forward	2,101	7,441	8,968	200	2,609	2,579	1,688	25,586	46,272	71,858

The notes to the accounts on pages 27 - 86 form an integral part of the Financial Statements

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2016 £000		Note	31 March 2017 £000
145,174	Property, Plant and Equipment	13	176,484
113	Heritage Assets	14	107
737	Investment Property	15	739
564	Intangible Assets	16	329
50	Long Term Investments	17	927
157	Long Term Debtors		539
146,795	Long Term Assets		179,125
21,027	Short Term Investments		29,290
607	Assets Held for Sale	20	768
3,007	Short Term Debtors	18	2,857
7,171	Cash and Cash Equivalents	19	5,261
31,812	Current Assets		38,176
-	Cash and Cash Equivalents	19	(1,115)
(26)	Short Term Borrowing		(26)
(6,681)	Short Term Creditors	21	(7,187)
(460)	Grants Receipts in Advance - Capital		(200)
(1,682)	Provisions	22	(1,831)
(8,849)	Current Liabilities		(10,359)
(67,456)	Long Term Borrowing		(67,456)
(30,354)	Other Long Term Liabilities	35	(37,523)
(90)	Grants Receipts in Advance – Capital	31	(24)
(97,900)	Long Term Liabilities		(105,003)
71,858	Net Assets		101,939
25,586	Usable Reserves	23	31,605
46,272	Unusable Reserves	24	70,334
71,858	Total Reserves		101,939

The notes to the accounts on pages 27 - 86 form an integral part of the Financial Statements.

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital to the Council.

2015/16 £000	2015/16 £000		2016/17 £000	2016/17 £000
	3,299	Net surplus on the provision of services		27,722
5,164		Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 25)	(17,108)	
(2,358)	2,806	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 25)	(1,966)	(19,074)
	6,105	Net cash flows from Operating Activities		8,648
	(9,624)	Investing Activities (Note 26)		(11,195)
	608	Financing Activities (Note 27)		(478)
	(2,911)	Net increase/(decrease) in cash and cash equivalents		(3,025)
	10,082	Cash and cash equivalents at the beginning of the reporting period		7,171
	7,171	Cash and cash equivalents at the end of the reporting period (Note 19)		4,146

The notes to the accounts on pages 27 - 86 form an integral part of the Financial Statements.

NOTES TO THE ACCOUNTS

NOTE 1 – ACCOUNTING POLICIES

1. General Principles

The Financial Statements summarise the Council's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Financial Statements is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.1 Qualitative Characteristics of Financial Statements

Relevance

The accounts have been prepared to provide information about the Council's financial performance and position that is useful for assessing the stewardship of public funds and for making financial decisions.

Materiality

The concept of materiality has been utilised in preparing the accounts so that insignificant items and fluctuations under an acceptable level of tolerance are permitted provided that, in aggregate, they would not affect the interpretation of the accounts.

Faithful Representation

The financial information in the accounts is a faithful representation of the economic performance of the Council as they have been prepared to reflect the reality or substance of the transaction, are free from deliberate or systematic bias, are free from material error and contain all the information necessary to aid understanding.

Comparability

Information about the Council is more useful if it can be compared with similar information about other Councils and other accounting periods for the same Council. Comparability of financial information is essential for the purposes of decision making by enabling decision makers to choose between alternatives or make assessments about the stewardship of the Council's resources.

Verifiability

Knowledgeable and independent observers will be able to reach the same conclusion from the information presented in the accounts.

Timeliness

The information provided in the accounts is available in time to influence decisions.

Understandability

These accounts are based on concepts and terminology which require reasonable knowledge of local government finance. Every effort has been made to use plain language and technical terms are explained in the glossary contained at the end of the financial statements.

1.2 Underlying Assumptions

Accruals Basis

The accounts are prepared on an accruals basis, whereby revenue (income) and expenditure is recognised in the period in which it is earned or incurred not as the cash is received or paid.

Going Concern

The accounts have been prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future.

Primacy of Legislation Requirements

Where accounting treatment is prescribed by law, it has been applied in preparing the accounts.

The following sections (2-26) disclose the specific accounting policies adopted by the Council for the completion of the Financial Statements.

2. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are not carried as inventories on the Balance Sheet due to their immateriality.
- Expenses in relation to services received, including services provided by employees, are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount, where considered material, is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

4. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

5. Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

6. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

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

7. Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

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

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

8. Employee Benefits

Benefits Payable during Employment

Short term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements, or any form of leave e.g. time off in lieu, earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance and Housing Revenue Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post-Employment Benefits

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

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

The liabilities of the Lincolnshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.5% (3.4% in 2015/16), based on the indicative rate of return on high quality corporate bonds.

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

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

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

Service Cost comprising

- **current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- **past service cost** – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement
- **net interest on the net defined benefit liability**, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements comprising

- **the return on plan assets** – excluding amounts included in the net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- **actuarial gains and losses** – changes in the net pension's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Lincolnshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance and Housing Revenue Account Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund and Housing Revenue Account of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

9. Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Financial Statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Financial Statements are adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Financial Statements are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Financial Statements.

10. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest; and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets

Financial Assets are classified 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.

Loans and Receivables

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

The Council has made a number of loans and these are recognised in the Balance Sheet at the amount of principal outstanding and have not been adjusted for fair value.

Available-for-sale Assets

Available-for-sale Assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

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

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

Changes in fair value are balanced by an entry in the Available-for-Sale Financial Instruments Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Where the fair value of available-for-sale assets is not materially different from the carrying value, the amount presented in the Balance Sheet is the outstanding principal receivable plus accrued interest and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the agreement.

11. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance and Housing Revenue Account Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

12. Heritage Assets

The extent of the Council's holdings of heritage assets is limited. Heritage assets are held to help increase the knowledge, understanding and appreciation of the Council's history and local area. Heritage assets are recognised and measured, including the treatment of revaluation gains and losses, in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets where appropriate. The Council's heritage assets fall into two categories; Civic Regalia and Works of Art, and Archaeological Sites, Smallholdings and other Land and Sites of Special Interest and are accounted for as follows:

Civic Regalia and Works of Art:

- Civic regalia and Tulip paintings – insurance value; valued by an external valuer

Archaeological Sites, Smallholdings and other Land and Sites of Special Interest:

- Chain Bridge Forge (formerly Blacksmith's shop) – current use; valued by an external valuer
- Nature reserve – Historic Cost

Heritage assets not recognised on the Council's Balance Sheet:

- Community Beacon, Gas Wharf, Pill box, HMS Hornet bell and model of HMS Taku submarine – not included on the Balance Sheet as the cost of obtaining valuations outweighs the benefit to the users of the statements.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see item 19 in this summary of significant accounting policies.

Depreciation is not charged as the assets are deemed to be held in perpetuity. Should any heritage assets be disposed of, the proceeds are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment.

13. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events e.g. software licences, is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost and are carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. Depreciation is calculated on the following basis:

- Computer software and licences – straight line basis

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, the amortisation charge is not permitted to have an impact on the General Fund Balance or Housing Revenue Account Balance. It is therefore reversed out of the General Fund Balance and Housing Revenue Account Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

14. Interest in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's own single entity accounts, the interests in companies and other entities are recorded as financial assets at cost.

15. Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

South Holland has joint control with East Lindsey District Council over Compass Point Business Services (East Coast) Ltd, a company established in 2010 to provide 'back office' services to both Councils.

The Council recognises on its Balance Sheet an appropriate share of its rights to the assets and obligations for the liabilities and debits and credits the Comprehensive Income and Expenditure Statement with its share of expenses incurred and income it earns from the activity of the Company.

16. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and for any sale proceeds greater than £10,000 the Capital Receipts Reserve.

17. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council has no finance lease commitments as at 31 March 2017.

The Council as Lessee - *Operating Leases*

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent free period).

The Council as Lessor - *Operating Leases*

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the relevant line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of a lease).

18. Overheads and Support Services

The cost of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

19. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an assets potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising;

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the authority.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure assets, community assets and assets under construction – depreciated historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable useful life i.e. freehold land and certain Community Assets and assets that are not yet available for use i.e. assets under construction.

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight line allocation over the life of the property as estimated by the valuer
- Vehicles, plant and equipment – straight line allocation over the life of the asset, as advised by a suitably qualified officer
- Infrastructure – straight line allocation.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Materiality levels have been assessed and a materiality level of £0.5m for major components has been applied. Council dwellings are separated into their principal components, which are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet, whether Property, Plant and Equipment or Assets Held for Sale, is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal i.e. netted off against the carrying value

of the asset at the time of disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance and Housing Revenue Account Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax or housing rents, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance and Housing Revenue Account Balance in the Movement in Reserves Statement.

20. Fair Value Measurement

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

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

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

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

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

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

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

21. Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council has an obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required, or a lower settlement than anticipated is made, the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party, this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

22. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

23. Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

24. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingences. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, local taxation and retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

25. Revenue Expenditure Funded from Capital under Statute

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

26. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

NOTE 2 – ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2017.

- Amendment to the reporting of pension fund scheme transaction costs;
- Amendment to the reporting of investment concentration.

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

NOTE 3 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Financial Statements are:

- There is uncertainty about future levels of funding for local government notably issues around welfare reform and localisation of Business Rates. Government have said that Councils will get to keep 100% of business rates income from 2020, but will also need to take on new responsibilities. The Council has determined that the information regarding this is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision
- The Council has examined its leases, and classified them as either operational leases or finance leases. In some cases the lease transaction is not always conclusive and the Council uses judgements in determining whether the lease is a finance lease that transfers substantially all the risks and rewards incidental to ownership
- One factor that has had a demonstrable impact in the past four years on the accounts concerns the assumptions surrounding pensions and the likelihood of legislative change and the impact of such change. The sensitivity analysis, shown in note 35 (pages 75-79), estimates the likely impact of changes to the assumptions used when reporting the pension liability
- Investments - Investment in banks and other financial institutions are secure and will not suffer impairments.

NOTE 4 – ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the Council's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions Liability

The estimation of the net liability (£37.523m at 31 March 2017) to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied.

During 2016/17, the actuaries advised that the net pension liability had increased by £7.169m. This is made up of:

- £6.128m actuarial loss
- £1.041m loss arising from employer contributions of £1.757m being less than the pension obligations of £2.798m.

Debt Impairment

At 31 March 2017, the Council had a balance of sundry debtor and housing benefit overpayments of £1.929m. A review of significant balances suggested that an impairment of doubtful debts of 50.1% (£0.966m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.

If collection rates were to deteriorate, increasing the impairment for doubtful debts to 60% of the total debt would require an additional £0.191m to be set aside as an allowance.

Business Rates

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, local authorities need to account for any reduction in Business Rates income and repayment to ratepayers, in respect of successful appeals against business rates for current and earlier years. A provision has been made in the accounts based on the best estimate of the amount that the Council might need to repay as a result of successful appeals up to 31 March 2017. This estimate has been calculated using the latest Valuation Office Agency list of outstanding appeals with an assessment being made of the likely impact of those appeals, taking into account past national decisions together with any specific / local implications. This assessment has been undertaken by an external provider.

The Council's share of the provision as at 31 March 2017 (40% of £4.578m) is £1.831m, (£1.682m at 31 March 2016).

Fair Value Measurements

When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.

Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the external valuer). Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 13 and 15.

NOTE 5 – EVENTS AFTER THE BALANCE SHEET DATE

The Financial Statements were authorised for issue by the Executive Director Growth and Commercialisation on 12 September 2017. Events taking place after this date are not reflected in the Financial Statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

NOTE 6 – NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2016/17				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Amounts	Adjustments for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
Growth and Commercialisation Directorate	190	7	-	197
Place Directorate	(4,227)	42	-	(4,185)
Strategy and Governance Directorate	296	(94)	(6)	196
Exceptional Item – Revaluation of Council Dwellings following change in Social Housing Factor for the East Midlands	(24,400)	-	-	(24,400)
Net Cost of Services	(28,141)	(45)	(6)	(28,192)
Other Income and Expenditure from the Funding Analysis	383	1,086	16	1,485
Difference between General Fund (Surplus)/Deficit and Comprehensive Income and Expenditure Statement (Surplus)/Deficit	(27,758)	1,041	10	(26,707)

2015/16				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Amounts	Adjustments for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
Growth and Commercialisation Directorate	1,090	28	-	1,118
Place Directorate	(4,130)	166	3	(3,961)
Strategy and Governance Directorate	301	(87)	12	226
Net Cost of Services	(2,739)	107	15	(2,617)
Other Income and Expenditure from the Funding Analysis	(3,635)	1,230	(64)	(2,469)
Difference between General Fund (Surplus)/Deficit and Comprehensive Income and Expenditure Statement (Surplus)/Deficit	(6,374)	1,337	(49)	(5,086)

Adjustments for Capital Purposes

This column adds in depreciation and impairment, revaluation gains and losses and transfer to the Major Repairs Reserve for future capital investment in the service lines, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income are reflected as follows:

- **For services** this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

Other Differences

Other differences between amounts debited or credited to the Comprehensive Income and Expenditure Statement and amounts payable or receivable to be recognised under statute are as follows:

- **For services** the other differences column recognises adjustments to the General Fund and Housing Revenue Account for accumulated absences.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and business rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

NOTE 7 – EXPENDITURE AND INCOME ANALYSED BY NATURE

The authority's expenditure and income is analysed as follows:

<u>2016/17</u>	SHDC Income and Expenditure £000	Remove amounts paid to/received from CPBS £000	Add CPBS subjective analysis £000	Total Income and Expenditure £000
<u>Expenditure</u>				
Employee benefits expenses	9,489	-	2,438	11,927
Other service expenses	31,335	(3,114)	410	28,631
Reversal of previous loss on revaluation of assets	(24,400)	-	-	(24,400)
Depreciation, amortisation, impairment	3,341	-	106	3,447
Interest payments	2,349	-	-	2,349
Precepts and levies	2,980	-	-	2,980
Payments to Housing Capital Receipts Pool	435	-	-	435
Business Rates tariff and levy	6,751	-	-	6,751
Loss on disposal of non-current assets	1,658	-	-	1,658
Pensions interest cost	2,436	-	395	2,831
Total Expenditure	36,374	(3,114)	3,349	36,609
<u>Income</u>				
Income from council tax and non-domestic rates	(14,744)	-	-	(14,744)
Government grants and contributions	(23,422)	-	-	(23,422)
Other grants and contributions	(569)	-	-	(569)
Fees, charges and other service income	(22,158)	251	(48)	(21,955)
Interest and investment income	(212)	-	(1)	(213)
Changes in fair value of investment property	(2)	-	-	(2)
Gain on revaluation of non-current assets	(165)	-	-	(165)
Gain on disposal of non-current assets	(1,465)	-	-	(1,465)
Expected return on pension assets	(1,471)	-	(325)	(1,796)
Total Income	(64,208)	251	(374)	(64,331)
(Surplus) or Deficit on the Provision of Services	(27,834)	(2,863)	2,975	(27,722)

<u>2015/16</u>	SHDC Income and Expenditure £000	Remove amounts paid to/received from CPBS £000	Add CPBS subjective analysis £000	Total Income and Expenditure £000
<u>Expenditure</u>				
Employee benefits expenses	9,606	-	2,575	12,181
Other service expenses	33,079	(3,076)	485	30,488
Depreciation, amortisation, impairment	3,002	-	150	3,152
Interest payments	2,347	-	-	2,347
Precepts and levies	2,926	-	-	2,926
Payments to Housing Capital Receipts Pool	439	-	-	439
Business Rates tariff and levy	7,221	-	-	7,221
Loss on disposal of non-current assets	1,024	-	-	1,024
Pensions interest cost	2,329	-	398	2,727
Total Expenditure	61,973	(3,076)	3,608	62,505
<u>Income</u>				
Income from council tax and non-domestic rates	(15,472)	-	-	(15,472)
Government grants and contributions	(24,443)	-	-	(24,443)
Other grants and contributions	(842)	-	-	(842)
Fees, charges and other service income	(21,901)	210	(50)	(21,741)
Interest and investment income	(236)	-	-	(236)
Changes in fair value of investment property	(23)	-	-	(23)
Gain on disposal of non-current assets	(1,403)	-	(1)	(1,404)
Expected return on pension assets	(1,358)	-	(285)	(1,643)
Total Income	(65,678)	210	(336)	(65,804)
(Surplus) or Deficit on the Provision of Services	(3,705)	(2,866)	3,272	(3,299)

NOTE 8 – ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the financial year. However, as a Housing authority, the balance is not available to be applied to funding HRA services.

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at year end.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Capital Grants Unapplied

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2016/17	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000
Adjustments to Revenue Resources					
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>					
• Pension costs	781	260	-	-	-
• Council Tax and Non-Domestic Rates	16	-	-	-	-
• Holiday pay	(8)	2	-	-	-
• Movements in the market value of Investment Properties	(2)	-	-	-	-
• Capital grants and contributions applied to capital financing	(442)	-	-	-	-
• Capital grants and contributions not applied to capital financing	(89)	-	-	-	89
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	2,141	(21,207)	-	-	-
Total Adjustments to Revenue Resources	2,397	(20,945)	-	-	89
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-	(1,466)	1,466	-	-
Administrative costs of non-current asset disposals	-	31	(31)	-	-
Payments to the government housing receipts pool	435	-	(435)	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	(7,123)	-	7,123	-
Capital expenditure financed from revenue balances	(36)	-	-	-	-
Total Adjustments between Revenue and Capital Resources	399	(8,558)	1,000	7,123	-
Adjustments to Capital Resources					
Use of Capital Receipts Reserve to finance capital expenditure	-	-	(10)	-	-
Use of Major Repairs Reserve to finance capital expenditure	-	-	-	(3,036)	-
Use of capital grants to finance capital expenditure	-	-	-	-	(165)
Cash payments in relation to deferred capital receipts	-	-	3	-	-
Total Adjustments to Capital Resources	-	-	(7)	(3,036)	(165)
Total Adjustments	2,796	(29,503)	993	4,087	(76)

2015/16	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000
Adjustments to Revenue Resources					
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>					
• Pension costs	1,036	300	-	-	-
• Council Tax and Non-Domestic Rates	(64)	-	-	-	-
• Holiday pay	15	1	-	-	-
• Movements in the market value of Investment Properties	(23)	-	-	-	-
• Capital grants and contributions applied to capital financing	(782)	-	-	-	-
• Capital grants and contributions not applied to capital financing	(203)	-	-	-	203
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	2,558	2,859	-	-	-
Total Adjustments to Revenue Resources	2,537	3,160	-	-	203
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(39)	(1,364)	1,403	-	-
Administrative costs of non-current asset disposals	-	30	(30)	-	-
Payments to the government housing receipts pool	439	-	(439)	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	(7,020)	-	7,020	-
Statutory provision for the repayment of debt	(1,740)	-	-	-	-
Capital expenditure financed from revenue balances	(1,089)	-	-	-	-
Total Adjustments between Revenue and Capital Resources	(2,429)	(8,354)	934	7,020	-
Adjustments to Capital Resources					
Use of Capital Receipts Reserve to finance capital expenditure	-	-	(265)	-	-
Use of Major Repairs Reserve to finance capital expenditure	-	-	-	(4,411)	-
Use of capital grants to finance capital expenditure	-	-	-	-	(37)
Cash payments in relation to deferred capital receipts	-	-	3	-	-
Total Adjustments to Capital Resources	-	-	(262)	(4,411)	(37)
Total Adjustments	108	(5,194)	672	2,609	166

NOTE 9 – MOVEMENTS IN EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2016/17.

	Balance at 1 April 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31 March 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31 March 2017 £000
General Fund							
Affordable Housing Reserve	118	(118)	-	-	-	-	-
Capital Reserve	761	(761)	-	-	-	-	-
Climate Change Reserve	47	(47)	-	-	-	-	-
Community Cohesion Reserve	19	(19)	-	-	-	-	-
Council Tax Reserve	4,480	(3,842)	2,066	2,704	(1,415)	793	2,082
Emergency Planning Reserve	10	(10)	-	-	-	-	-
Insurance Reserve	257	(37)	-	220	-	-	220
Investment and Growth Reserve	-	(411)	3,716	3,305	-	1,448	4,753
Organisational Development Reserve	1,819	(1,819)	-	-	-	-	-
Planning Reserve	367	(367)	-	-	-	-	-
Property Acquisition Reserve	1,000	(1,000)	-	-	-	-	-
Replacement and Refurbishment Reserve	201	(165)	203	239	(150)	136	225
Section 106 Reserve	41	(41)	-	-	-	-	-
Spalding Special Expenses Reserve	154	(154)	-	-	-	-	-
Transformation Reserve	-	(43)	1,016	973	(164)	-	809
Service Grant Income Reserve	-	-	-	-	-	254	254
Total General Fund	9,274	(8,834)	7,001	7,441	(1,729)	2,631	8,343
Housing Revenue Account							
Insurance Reserve	200	-	-	200	-	-	200
Total Earmarked Reserves	9,474	(8,834)	7,001	7,641	(1,729)	2,631	8,543

NOTE 10 – OTHER OPERATING EXPENDITURE

2015/16		2016/17
£000		£000
640	Parish Council Precepts	690
2,286	Internal Drainage Board Levies	2,290
439	Payments to the Government Housing Capital Receipts Pool	435
(380)	(Gains)/Losses on the disposal of non-current assets	193
2,985	Total	3,608

NOTE 11 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2015/16		2016/17
£'000		£'000
2,347	Interest payable and similar charges	2,349
1,084	Net interest on the net defined benefit liability	1,035
(236)	Interest receivable and similar income	(213)
(65)	Income and expenditure in relation to investment properties and changes in their fair value	(63)
3,130	Total	3,108

NOTE 12 – TAXATION AND NON SPECIFIC GRANT INCOME AND EXPENDITURE

2015/16		2016/17
£000		£000
(4,963)	Council Tax income	(5,195)
(3,288)	Retained Business Rates income and expenditure	(2,798)
(2,381)	Revenue Support Grant	(1,666)
(1,971)	Non-ringfenced government grants	(2,347)
(269)	Capital grants and contributions	(206)
(12,872)	Total	(12,212)

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT - Movements on Balances

2016/17	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
<u>Movements on balances</u>								
Cost or Valuation								
At 1 April 2016	117,516	22,037	4,590	2,110	1,040	687	251	148,231
Additions	2,900	233	-	73	-	-	53	3,259
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	5,559	2,046	-	-	-	29	-	7,634
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	22,993	(8)	-	-	-	-	-	22,985
Derecognition – disposals	(476)	(433)	(36)	(43)	(77)	-	-	(1,065)
Assets reclassified (to)/from Held for Sale	(768)	-	-	-	-	-	-	(768)
Other movements in cost or valuation	-	226	-	-	(1)	-	(226)	(1)
At 31 March 2017	147,724	24,101	4,554	2,140	962	716	78	180,275
Accumulated Depreciation and Impairment								
At 1 April 2016	-	-	(1,673)	(1,238)	(146)	-	-	(3,057)
Depreciation charge	(2,072)	(389)	(595)	(174)	-	-	-	(3,230)
Depreciation written out to the Revaluation Reserve	478	381	-	-	-	-	-	859
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,584	9	-	-	-	-	-	1,593
Derecognition – disposals	10	-	35	-	-	-	-	45
Other movements in depreciation and impairments	-	(1)	-	-	-	-	-	(1)
At 31 March 2017	-	-	(2,233)	(1,412)	(146)	-	-	(3,791)
Net Book Value								
At 31 March 2017	147,724	24,101	2,321	728	816	716	78	176,484
At 31 March 2016	117,516	22,037	2,917	872	894	687	251	145,174

2015/16	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
<u>Movements on balances</u>								
Cost or Valuation								
At 1 April 2015	115,005	21,200	4,717	2,041	766	186	84	143,999
Additions	4,297	-	162	74	311	-	167	5,011
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	221	1,034	-	-	-	510	-	1,765
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,403)	(5)	-	-	-	(17)	-	(1,425)
Derecognition – disposals	(546)	-	(289)	(5)	(37)	(71)	-	(948)
Assets reclassified (to)/from Held for Sale	(258)	-	-	-	-	-	-	(258)
Other movements in cost or valuation	200	(192)	-	-	-	79	-	87
At 31 March 2016	117,516	22,037	4,590	2,110	1,040	687	251	148,231
Accumulated Depreciation and Impairment								
At 1 April 2015	-	-	(1,363)	(1,046)	(154)	-	-	(2,563)
Depreciation charge	(2,027)	(374)	(599)	(192)	-	(1)	-	(3,193)
Depreciation written out to the Revaluation Reserve	329	364	-	-	-	-	-	693
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,689	9	-	-	-	-	-	1,698
Derecognition – disposals	10	-	289	-	8	1	-	308
Other movements in depreciation and impairments	(1)	1	-	-	-	-	-	-
At 31 March 2016	-	-	(1,673)	(1,238)	(146)	-	-	(3,057)
Net Book Value								
At 31 March 2016	117,516	22,037	2,917	872	894	687	251	145,174
At 31 March 2015	115,005	21,200	3,354	995	612	186	84	141,436

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings – major components
 - Structure – 43-79 years
 - Roofs – 8-65 years
 - Kitchens – 9-23 years
 - Bathrooms – 8-28 years
 - Windows and Doors – 3-28 years
- Other Land and Buildings – 0-72 years
- Vehicles, Plant, Furniture & Equipment – 5-25 years
- Infrastructure – 2-19 years

Capital Commitments

At 31 March 2017, the Council has entered into contracts for the enhancement of Property, Plant and Equipment in 2017/18 and future years budgeted at a cost of £2.9m. Similar commitments at 31 March 2016 were £2.1m, mainly relating to works to dwellings. The major commitments are:

- Kitchen and Bathrooms Replacements £1.20m
- Central Heating Replacements £1.25m
- Re-roofing £0.45m

Effects of Changes in Estimates

The balance sheet value of HRA Council Dwellings has increased significantly at 31 March 2017. The Social Housing Factor (as notified by the DCLG) applied for 2016/17 is 42% of the dwellings total market value (£352m) compared to 34% at 31 March 2016. This movement reflects those changes to private and public sector rents and yields since its last review date in 2010.

No other material changes were made to the Council's accounting estimates for Property, Plant and Equipment 2016/17.

Revaluations

The Council carries out a programme that ensures that all Property, Plant and Equipment required to be measured at current value is regularly revalued. A full revaluation of all Council housing stock and other land and buildings is undertaken every 5 years, although a desktop review of all assets is carried out in each of the intervening years. All valuations are carried out externally. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

In addition due regard has been taken of amendments introduced in the CLG document "Stock Valuation for Resource Accounting – Guidance for Valuers 2010". The basis of valuation is Current Value (EUV) for non-housing property and Existing Use Value for Social Housing (EUV – SH) for Council dwellings. Surplus property is valued at Fair Value, estimated at highest and best use from a market participant's perspective

Revaluations during 2016/17 were undertaken by Darren Fabris BSc (Hons) MRICS, RICS Registered Valuer (Kier) and Guy S C Harbord MA MRICS, IRRV (Hons), RICS Registered Valuer (Wilks Head and Eve).

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	-	-	2,321	728	816	-	78	3,943
Valued at fair value as at: 31 March 2017	147,724	24,101	-	-	-	716	-	172,541
Total Cost or Valuation	147,724	24,101	2,321	728	816	716	78	176,484

Fair Value Hierarchy – Surplus Assets

Details of the authority's surplus assets and information about the fair value hierarchy as at 31 March 2017 is as follows:

Fair Value Level 2 2015/16 £000		Fair Value Level 2 2016/17 £000
687	Surplus Land	716
687	Balance at end of the year	716

Valuation Techniques Used to Determine Level 2 Fair Values for Surplus Assets

Significant Observable Inputs – Level 2

The fair value of surplus assets have been measured using either the income or comparative approach methods.

For land only assets the Valuers have compared sale prices of comparable land in applicable uses and similar locations before making adjustments for differences in key attributes such as land size.

For some assets the Valuers have relied upon data ascertained from current evidence of passing rents on comparable properties including new lettings and rent reviews. Evidence of yields has been taken from the sale of comparable investments having regard to the type of property, covenant strength and lease terms. Factors of relevance in the leases include the lease term, rent review frequency, any break clauses and obligations for repair, maintenance and buildings insurance.

Valuation inputs for rental and yield which are directly applicable i.e. an almost identical property let to a similar covenant on the same repairing and insuring terms for a similar term to the valuation subject are said to be at Level 2 in the fair value hierarchy as they are directly comparable with limited adjustment.

Highest and best use of Surplus Assets

In estimating the fair value of the Council's surplus assets, the highest and best use of the properties is deemed to be their current use for some assets and alternative use for others.

Valuation Process for Surplus Assets

The fair value of the Council's surplus assets is measured at each reporting date. All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers regarding all valuation matters.

NOTE 14 – HERITAGE ASSETS

Reconciliation of the carrying value of Heritage Assets held by the Council:

2015/16 £000		Civic Regalia and Works of Art	Archaeological Sites, Smallholdings and other Land and Sites of Special Interest	Total
2016/17 £000		2016/17 £000	2016/17 £000	2016/17 £000
	Cost or valuation			
98	1 April	62	51	113
15	Revaluations	-	(6)	(6)
113	31 March	62	45	107

The Council's heritage assets fall into two categories; Civic Regalia and Works of Art, and Archaeological Sites, Smallholdings and other Land and Sites of Special Interest. All the assets have been in the Council's ownership for a number of years and are held for their intrinsic worth as opposed to financial gain. As such they are unlikely to be sold. There were no additions or disposals in the current financial year.

Heritage assets recognised on the Council's Balance Sheet:

Civic Regalia and Works of Art:

- Civic regalia – included in the Balance Sheet at their insurance valuation. These valuations were undertaken on 31 March 2015 by an external specialist valuer – Bonham's.
- Tulip paintings – included in the Balance Sheet at their insurance value. These valuations were undertaken on 31 March 2016 by Woodbine Contemporary Arts.

Archaeological Sites, Smallholdings and other Land and Sites of Special Interest:

- Chain Bridge Forge – recorded at existing use value as determined by the Council's external valuer, Guy S C Harbord MA MRICS, IRRV (Hons), RICS Registered Valuer Wilks, Head and Eve and were last valued on 31 March 2017.
- Nature reserve – recorded at Historic Cost.

Heritage assets not recognised on the Council's Balance Sheet:

- Community Beacon, Gas Wharf, Pill box, HMS Hornet bell and model of HMS Taku submarine have been classified as heritage assets but are not included on the Council's Balance Sheet as the cost of obtaining valuations outweighs the benefit to the users of the Financial Statements.

NOTE 15 – INVESTMENT PROPERTY

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2015/16 £000		2016/17 £000
(74)	Rental Income from investment property	(90)
32	Direct operating expenses arising from investment property	29
(23)	Net (gains)/losses from fair value adjustments	(2)
(65)	Net (gain)/loss	(63)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

2015/16 £000		2016/17 £000
802	Balance at start of the year	737
22	Net gains/(losses) from fair value adjustments	2
	Transfers:	
(87)	To/from Property, Plant and Equipment	-
737	Balance at end of the year	739

Fair Value Hierarchy

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2017 is as follows:

Fair Value Level 2 2015/16 £000		Fair Value Level 2 2016/17 £000
737	Commercial Industrial Units	739
737	Balance at end of the year	739

Valuation Techniques Used to Determine Level 2 for Investment Properties

Significant Observable Inputs – Level 2

The fair value of investment properties has been measured using two main approaches - the income method and the comparable method.

For land only assets the Valuers have compared sale prices of comparable land in applicable uses and similar locations before making adjustments for differences in key attributes such as land size.

For land and building assets the Valuers have relied upon data ascertained from current evidence of passing rents on comparable properties including new lettings and rent reviews. Evidence of yields has been taken from the sale of comparable investments having regard to the type of property, covenant strength and lease terms. Factors of relevance in the leases include the lease term, rent review frequency, any break clauses and obligations for repair, maintenance and buildings insurance.

Valuation inputs for rental and yield which are directly applicable i.e. an almost identical property let to a similar covenant on the same repairing and insuring terms for a similar term to the valuation subject are said to be 'observable inputs' as they are directly comparable with limited adjustment and are said to be a Level 2 in the fair value hierarchy.

Highest and best use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is deemed to be their current use.

Valuation Process for Investment Properties

The fair value of the Council's surplus assets is measured at each reporting date. All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers regarding all valuation matters.

NOTE 16 – INTANGIBLE ASSETS

The Council accounts for its software as intangible assets. Intangible assets include purchased licenses.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The carrying amount of intangible assets is amortised on a straight-line basis, over 3 to 10 years. The amortisation of £228,000 was charged to an overhead account and then absorbed across service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

2015/16 £000		2016/17 £000
	Balance at start of year:	
1,369	- Gross carrying amounts	1,280
(658)	- Accumulated amortisation	(716)
711	Net carrying amount at start of year	564
	Additions:	
99	- Purchases	(7)
(231)	Amortisation for the period	(228)
(15)	Other changes	-
564	Net carrying amount at end of year	329
	Comprising:	
1,280	- Gross carrying amounts	1,273
(716)	- Accumulated amortisation	(944)
564		329

NOTE 17 – FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long Term		Current	
	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000
Investments				
Loans and receivables				
Principal	-	-	29,248	12,448
Accrued interest	-	-	42	38
Available for Sale Financial Assets				
Certificates of Deposit	-	-	-	8,541
Unquoted equity investment at cost	927	50	-	-
Total Investments	927	50	29,290	21,027
Cash and Cash Equivalents				
Loans and receivables	-	-	4,146	7,171
Total Cash and Cash Equivalents	-	-	4,146	7,171
Debtors				
Loans and receivables				
Mortgages and car loans	130	157	-	-
Welland Homes	409	-	-	-
Trade debtors	-	-	1,267	1,252
Total included in Debtors	539	157	1,267	1,252
Borrowings				
Amortised cost				
Principal	(67,456)	(67,456)	-	-
Accrued interest	-	-	(26)	(26)
Total included in Borrowings	(67,456)	(67,456)	(26)	(26)
Creditors				
Amortised cost				
Trade creditors	-	-	(1,391)	(1,799)
Total included in Creditors	-	-	(1,391)	(1,799)

Income, expense, gains and losses

	2016/17			
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for Sale	Total
	£000	£000	£000	£000
Interest expense	2,349	-	-	2,349
Interest income	-	(173)	(40)	(213)
Net expenditure in Surplus or Deficit on the Provision of Services	2,349	(173)	(40)	2,136
Net loss/(gain) for the year	2,349	(173)	(40)	2,136

	2015/16			
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for Sale	Total
	£000	£000	£000	£000
Interest expense	2,347	-	-	2,347
Interest income	-	(156)	(80)	(236)
Net expenditure in Surplus or Deficit on the Provision of Services	2,347	(156)	(80)	2,111
Net loss/(gain) for the year	2,347	(156)	(80)	2,111

Fair Value of Financial Assets

The Council has a shareholding interest in Local Capital Finance Company Limited. The shares are carried at cost of £50,000 and have not been valued as a fair value cannot be measured reliably. The company has been created by the Municipal Bonds Agency with a view to providing funds to the public sector. The authority did not intend to dispose of the shares at the Balance Sheet date.

The authority is also the sole shareholder of Welland Homes Limited, which is the Council's wholly owned Housing Development Company. The majority of the shares were purchased on 20th March 2017 and are carried at cost of £877,066. They have not been valued as a fair value cannot be measured reliably so soon after the purchase. The authority did not intend to dispose of the shares at the Balance Sheet date.

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

Financial liabilities and financial assets represented by loans and receivables, long term debtors and creditors are carried in the Balance Sheet at amortised cost.

Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

- for loans from the PWLB payable, new loan rates from the PWLB have been applied to provide the fair value
- for loans receivable, prevailing benchmark market rates have been used to provide the fair value.

The fair values calculated are as follows:

LIABILITIES	31 March 2017		31 March 2016	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Borrowing	(67,482)	(88,807)	(67,482)	(77,196)

For long term borrowing, the fair value is higher than the carrying amount because the authority's portfolio of loans includes fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2017) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £88.807m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty Interest rates. A supplementary measure of the fair value as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £67.482m would be valued at £88.807m. But, if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £113.566m.

ASSETS	31 March 2017		31 March 2016	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Short Term investments	29,290	29,318	12,486	12,508
Welland Homes	409	409	-	-

The fair value of investments is higher than the carrying amount because the Council's portfolio of investments includes fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2017) attributable to the commitment to receive interest above current market rates.

The loan to Welland Homes was made on 20th March 2017 at the market rate. As at 31st March 2017 there had been no changes to the market rate so the fair value of the loan is deemed to be unchanged.

Trade debtors and creditors are carried at cost as this is a fair approximation of their value.

NOTE 18 – DEBTORS

31 March 2016 Net £'000		31 March 2017 Gross £'000	31 March 2017 Impairment £'000	31 March 2017 Net £'000
1,046	Central government bodies	698	-	698
212	Other local authorities	190	-	190
1,749	Other entities and individuals	3,578	(1,609)	1,969
3,007	Total	4,466	(1,609)	2,857

NOTE 19 – CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2016 £000		31 March 2017 £000
1	Cash held by the Council	1
307	Bank current accounts	-
6,863	Deposits with Banks on Instant Access	5,260
7,171	Cash and Cash Equivalents categorised as Current Assets	5,261
-	Bank current accounts	(1,115)
-	Cash and Cash Equivalents categorised as Current Liabilities	(1,115)
7,171	Total Cash and Cash Equivalents	4,146

NOTE 20 – ASSETS HELD FOR SALE

Assets held for sale represent Council Houses to be sold under the Governments Right to Buy (RTB) Scheme. Fair Value is deemed to be the discounted RTB price paid by tenants to acquire the dwelling. This represents level 1 under the fair value hierarchy.

2015/16 £000		2016/17 £000
671	Balance outstanding at start of year	607
607	Assets newly classified as held for sale:	768
	- Property, Plant and Equipment	
(349)	Assets declassified as held for sale:	-
	- Property, Plant and Equipment	
(339)	Assets sold	(607)
18	Enhancements	-
(1)	Other Movements	-
607	Balance outstanding at year end	768

NOTE 21 – CREDITORS

2015/16 £000		2016/17 £000
(2,711)	Central government bodies	(4,115)
(2,275)	Other local authorities	(1,195)
(1,695)	Other entities and individuals	(1,877)
(6,681)	Total	(7,187)

NOTE 22 – PROVISIONS

	Business Rate Appeals £000
Balance at 1 April 2016	(1,682)
Additional provisions made in 2016/17	(982)
Amounts used in 2016/17	59
Unused amounts reversed in 2016/17	774
Balance at 31 March 2017	(1,831)

The provision represents South Holland's share (40% of £4.578m) of the total provision for appeals against the rateable values set by the Valuation Office Agency (VOA) not settled as at 31 March 2017. The total provision has been recognised in the Collection Fund Statement (page 92).

NOTE 23 – USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

NOTE 24 – UNUSABLE RESERVES

31 March 2016 £000		31 March 2017 £000
14,870	Revaluation Reserve	23,008
62,483	Capital Adjustment Account	85,589
(30,354)	Pensions Reserve	(37,523)
56	Deferred Capital Receipts Reserve	53
(716)	Collection Fund Adjustment Account	(732)
(67)	Accumulated Absences Account	(61)
46,272	Total Unusable Reserves	70,334

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2015/16 £000	2015/16 £000		2016/17 £000	2016/17 £000
	12,652	Balance at 1 April		14,870
2,744		Upward revaluation of assets	8,508	
(271)		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(21)	
	2,473	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		8,487
(215)		Difference between fair value depreciation and historical cost depreciation	(253)	
(40)		Accumulated gains on assets sold or scrapped	(96)	
	(255)	Amount written off to the Capital Adjustment Account		(349)
	14,870	Balance at 31 March		23,008

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and subsequent costs.

The Account contains accumulated gains and losses on Investment Properties. It also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2015/16 £000	2015/16 £000		2016/17 £000	2016/17 £000
	59,298	Balance at 1 April		62,483
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(3,193)		Charges for depreciation and impairment of non-current assets	(3,230)	
293		Reversal of Revaluation losses on Property, Plant and Equipment	24,589	
(231)		Amortisation of intangible assets	(228)	
(1,292)		Revenue expenditure funded from capital under statute	(438)	
(994)		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,627)	
	(5,417)			19,066
	40	Adjusting amounts written out of the Revaluation Reserve		96
	215	Net written out amount of the cost of non-current assets consumed in the year		253
		Capital financing applied in the year:		
101		Use of the Capital Receipts Reserve to finance new capital expenditure	10	
164		Use of the Capital Receipts Reserve to finance historical capital expenditure	-	
4,411		Use of the Major Repairs Reserve to finance new capital expenditure	3,036	
782		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	442	
37		Application of grants to capital financing from the Capital Grants Unapplied Account	165	
244		Statutory provision for the financing of capital investment charged against the General Fund balance		
		Minimum Revenue Provision	-	
1,496		Voluntary Revenue Provision	-	
1,089		Capital expenditure charged against the General Fund and HRA balances	36	
	8,324			3,689
	23	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		2
	62,483	Balance at 31 March		85,589

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post - employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2015/16 £000		2016/17 £000
(34,624)	Balance at 1 April	(30,354)
5,606	Remeasurements of the net defined benefit liability	(6,128)
(3,002)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(2,798)
1,666	Employer's pensions contributions and direct payments to pensioners payable in the year	1,757
(30,354)	Balance at 31 March	(37,523)

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2015/16 £000		2016/17 £000
59	Balance at 1 April	56
(3)	Transfer to the Capital Receipts Reserve upon receipt of cash	(3)
56	Balance at 31 March	53

Collection Fund Adjustment Account

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

2015/16 £000		2016/17 £000
(780)	Balance at 1 April	(716)
	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(16)
64		
(716)	Balance at 31 March	(732)

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance and Housing Revenue Account Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance and Housing Revenue Account Balance is neutralised by transfers to or from the Account.

2015/16 £000	2015/16 £000		2016/17 £000	2016/17 £000
	(51)	Balance at 1 April		(67)
51		Settlement or cancellation of accrual made at the end of the preceding year	67	
(67)		Amounts accrued at the end of the current year	(61)	
	(16)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		6
	(67)	Balance at 31 March		(61)

NOTE 25 – CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items

2015/16 £000		2016/17 £000
224	Interest received	250
(2,347)	Interest paid	(2,349)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2015/16 £000		2016/17 £000
3,193	Depreciation	3,230
(293)	Impairment and downward valuations	(24,589)
21	Impairment & revaluation losses on HRA non dwellings	11
231	Amortisation of intangible assets	228
(12)	(Increase)/decrease in interest debtors	37
382	Increase in creditors	1,012
(636)	(Increase)/decrease in debtors	147
1,336	Movement in pension liability	1,041
(29)	Contribution to/(from) provisions	149
994	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	1,627
(23)	Movement in Investment Property Values	(2)
-	Other non-cash items charged to the net surplus or deficit on the provision of services	1
5,164		17,108
	<i>Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities</i>	
(985)	Capital Grants credited to surplus or deficit on the provision of services	(531)
(1,373)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,435)
(2,358)		(1,966)

NOTE 26 – CASH FLOW STATEMENT – INVESTING ACTIVITIES

2015/16 £000		2016/17 £000
(5,234)	Purchase of property, plant and equipment, investment property, plant and intangible assets	(3,280)
(72,200)	Purchase of short term investments	(126,877)
(101)	Other payments for investing activities	(578)
1,376	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,438
65,500	Proceeds from sale of short term investments	117,700
1,035	Other receipts from investing activities	402
(9,624)	Net cash flows from investing activities	(11,195)

NOTE 27 – CASH FLOW STATEMENT – FINANCING ACTIVITIES

2015/16 £000		2016/17 £000
(13)	Cash payments for the reduction of outstanding liabilities relating to finance leases	-
621	Other payments for financing activities	(478)
608	Net cash flows from financing activities	(478)

NOTE 28 – MEMBERS’ ALLOWANCES

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

	2016/17 £000	2015/16 £000
Basic Allowance	230	225
Special Responsibility Expenses	148	137
	16	17
Total	394	379

NOTE 29 – OFFICERS’ REMUNERATION

The remuneration paid to the Council’s senior employees is as follows:

		Salary, Fees and Allowances £	Expenses Allowances £	Pension Contribution £	Redundancy Payments £	Total £
Monitoring Officer (to Sept. 2015)	2016/17	-	-	-	-	-
	2015/16	27,587	444	4,826	19,457	52,314
Executive Manager (from Jul. 2015)	2016/17	59,549	3,254	10,421	-	73,224
	2015/16	41,600	1,664	7,319	-	50,583

The Council has entered into a shared management arrangement with Breckland District Council where the two Councils share members of the management team.

The Monitoring Officer shown in the above table provided services for both the Council and for Breckland District Council. This employee was formally employed by South Holland District Council, and Breckland District Council was recharged 50% of their salary and other remuneration and expenses. As South Holland District Council was the employing Council, their full costs are shown in the note above.

Breckland District Council employs eight other members of the management team, the Chief Executive, two Executive Directors, and four Executive Managers. The Council is charged 60% of their salaries and other remuneration and expenses.

The Council’s other employees receiving more than £50,000 remuneration for the year (excluding employer’s pension contributions) were paid the following amounts:

Remuneration Band	2016/17 Number of Employees	2015/16 Number of Employees
£50,000 – £54,999	1	1
£55,000 – £59,999	1	1

The Council terminated the contracts of a number of employees in 2016/17 incurring liabilities of £10,700 (£26,922 in 2015/16). The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table overleaf.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
£0-£20,000	2	1	2	2	4	3	10,700	26,922
Total cost included in bandings and in CIES							10,700	26,922

Of the £26,922 paid out for Exit Packages in 2015/16, £9,728 was received from Breckland District Council in relation to 50% of a shared manager's redundancy cost.

NOTE 30 – EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Financial Statements.

	2016/17 £000	2015/16 £000
Statutory Audit Services		
Fees payable to KPMG LLP with regard to external audit services carried out for the year by the appointed auditor for the year	45	45
Fees payable to KPMG LLP with regard to certification of grants and claims	7	8
	52	53
Other Audit Services		
Share of fees payable to KPMG LLP with regard to external audit services carried out for the year on behalf of Compass Point Business Services.	7	7
Fees payable to KPMG LLP with regard to certification of Capital Receipts Pooling claim	3	3
	10	10
Total	62	63

NOTE 31 – GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17.

	2016/17 £000	2015/16 £000
Credited to Taxation and Non Specific Grant Income and Expenditure		
Revenue Support Grant	(1,666)	(2,381)
S31 Grant – Business Rate Grant	(447)	(544)
Council Tax Freeze Grant	-	(47)
New Homes Bonus Scheme Grant	(1,734)	(1,372)
Other non-specific grants	(166)	(8)
Grants in relation to capital expenditure	(206)	(269)
Total	(4,219)	(4,621)
Credited to Services		
Housing Benefit Subsidy	(18,295)	(18,721)
Council Tax and Housing Benefit Administration	(361)	(374)
Discretionary Housing Payments	(83)	(95)
Disabled Facilities Grant	(325)	(325)
Health Improvement	(86)	(77)
Large Sites and Housing Zones – Capacity Funding	(224)	-
Other Housing Benefit Grants to Deliver Local Initiatives	(91)	(71)
Local Council Tax Scheme New Burdens Grant	-	(18)
Electoral Commission	(17)	(25)
Grants for Growth	(26)	(548)
Second Homes Income	-	(65)
Land Charges New Burdens Grant	-	(84)
Other grants	(264)	(261)
Total	(19,772)	(20,664)
Sources of Grants:		
Central Government	(23,422)	(24,443)
Other Local Authorities	(493)	(639)
Other Bodies	(76)	(203)
Total	(23,991)	(25,285)

The Council has received grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver if the conditions are not met. The balances at the year end are as follows:

Grants Received in Advance - Capital

	2016/17 £000	2015/16 £000
Short Term Liabilities		
DCLG – Gypsy and Travellers	(200)	(330)
DCLG – Economic Development – Growth	-	(130)
Long Term Liabilities		
DCLG – Gypsy and Travellers	-	(77)
Private Developers – S106 Funding	(24)	(13)
Total	(224)	(550)

NOTE 32 – RELATED PARTIES

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

UK Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits).

Details of material transactions with Central Government are shown below. 2015/16 comparators shown in brackets.

• Funding from Government	Note 31	£23.422m (£24.443m)
• Non-Domestic Rates Share Payable	Collection Fund	£12.818m (£13.210m)
• Debtors	Note 18	£0.698m (£1.046m)
• Creditors	Note 21	£4.115m (£2.711m)

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2016/17 is shown in Note 27. During 2016/17 a number of members had links to local Parish Councils, held positions on Internal Drainage Boards and other Local Community associations. Two members are Directors of Compass Point Business Services (East Coast) Ltd (joint venture with East Lindsey District Council). During 2016/17 four members were Directors of South Holland Local Housing Community Interest Company; three remained Directors at 31st March 2017.

Details of specific transactions where members declared their interests are recorded in the Register of Members' Interest, open to public inspection at the Council Offices during office hours. The Council is compliant with the Localism Act 2012.

Other Public Bodies

Joint management arrangements exist between the Council and Breckland District Council. The costs of this arrangement are shared 60:40 between the two Councils. During the year, the Council paid Breckland £1.007m (£1.002m in 2015/16) for shared Breckland employee and related costs and received £173,807 (£323,256 in 2015/16) from Breckland for payment of shared South Holland employees and related costs. There was an outstanding balance of £113,134 due by South Holland and Breckland owed South Holland a balance of £21,264 at the end of March 2017.

Entities Controlled or Significantly Influenced by the Council

Compass Point Business Services

Joint merged service organisation arrangements for the shared provision of a number of back office services with East Lindsey District Council were implemented with effect from 1 August 2010, delivered through Compass Point Business Service (East Coast) Ltd (CPBS). The Council's share of the Company's assets, liabilities, income and expenditure are shown in note 39. There are no significant balances outstanding between the Council and the Company at 31 March 2017.

Further information about the accounts of CPBS is available from the Company Secretary, Eversheds House, 70 Great Bridgewater Street, Manchester, M1 5ES.

South Holland Homes and Welland Homes Ltd

The Council has two wholly owned subsidiary companies, South Holland Local Housing Community Interest Company and Welland Homes Ltd. Information and transactions for the year are set out in the group accounts.

NOTE 33 – CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR). This is a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2016/17	2015/16
	£000	£000
Opening Capital Financing Requirement	69,892	71,817
Capital Investment		
Property, Plant and Equipment	3,259	5,011
Intangible Assets	(7)	99
Revenue Expenditure Funded from Capital under Statute	438	1,292
Assets Held for Sale - Current	-	18
Long Term Investments – Welland Homes	877	-
Long Term Debtor – Welland Homes	409	-
Sources of finance		
Capital receipts	(10)	(265)
Government grants and other contributions	(607)	(819)
Major Repairs Reserve	(3,036)	(4,411)
Sums set aside from revenue:		
Direct revenue contributions	(36)	(1,089)
Minimum Revenue Provision	-	(231)
Voluntary Revenue Provision	-	(1,496)
Finance leases - repayments	-	(13)
Impairment & revaluation losses on HRA non dwellings	(11)	(21)
Other adjustments to the CFR	(2)	-
Closing Capital Financing Requirement	71,166	69,892
Explanation of movements in year		
Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance)	1,274	(1,925)
Increase/(decrease) in Capital Financing Requirement	1,274	(1,925)

NOTE 34 – LEASES

Council as Lessee

Operating Leases

The Council has acquired some of its vehicle fleet by entering into operating leases, with typical lives of five years. It also has entered into some property leases.

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2017 £000	31 March 2016 £000
Not later than 1 year	87	71
Later than 1 year and not later than 5 years	59	81
	146	152

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2016/17 £000	2015/16 £000
Minimum lease payments	84	71
	84	71

Council as Lessor

Operating Leases

The Council leases out a number of items of land and property under operating leases.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2017 £000	31 March 2016 £000
Not later than 1 year	130	135
Later than 1 year and not later than 5 years	93	96
Later than 5 years	26	28
	249	259

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2016/17 no contingent rents were receivable by the Council (nil in 2015/16).

NOTE 35 – DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, there is a commitment to make the payments and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered by Lincolnshire County Council. This is a funded defined benefit scheme, meaning that the employer and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Lincolnshire pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Lincolnshire County Council. Policy is determined in accordance with the Pensions Fund Regulations.

The principal risks of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme, changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

The financial information contained in this note includes the position for South Holland District Council together with a share for Compass Point Business Services Ltd to comply with the accounting requirements for Joint Operations.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax and housing rents is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance and Housing Revenue Account Balance via the Movement in Reserves Statement during the year.

	Local Government Pension Scheme	
	2016/17 £000	2015/16 £000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
<i>Service cost comprising</i>		
Current service cost	1,750	1,918
Past Service costs (including curtailments)	13	-
<i>Financing and Investment Income and Expenditure</i>		
Net interest expense	1,035	1,084
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	2,798	3,002
<i>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>		
Remeasurement of net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(8,832)	1,049
Actuarial (gains) and losses arising on changes in demographic assumptions	(1,539)	-
Actuarial (gains) and losses arising on changes in financial assumptions	16,178	(5,459)
Other experience	321	(1,196)
Total Remeasurements recognised in Other Comprehensive Income and Expenditure	6,128	(5,606)
Total Post-employment Benefit charged to the Comprehensive Income and Expenditure Statement	8,926	(2,604)
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(1,041)	(1,336)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	1,659	1,563
Contributions in respect of unfunded benefits	98	103

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows.

	Local Government Pension Scheme	
	2016/17 £000	2015/16 £000
Present Value of the defined obligation	(100,051)	(83,086)
Fair Value of plan assets	62,528	52,732
Net Liability arising from defined benefit obligation	(37,523)	(30,354)

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

	Local Government Pension Scheme	
	2016/17 £000	2015/16 £000
Opening fair value scheme assets	52,732	52,745
Interest Income	1,796	1,643
Remeasurement gain/(loss)		
The return on plan assets, excluding the amount included in the net interest expense	8,832	(1,049)
Contributions from employer	1,659	1,563
Contributions from employees into the scheme	429	420
Contributions in respect of unfunded benefits	98	103
Benefits paid	(3,018)	(2,693)
Closing fair value of scheme assets	62,528	52,732

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

	Local Government Pension Scheme	
	2016/17 £000	2015/16 £000
Opening Balance at 1 April	83,086	87,369
Current Service Cost	1,750	1,918
Past Service Cost	13	-
Interest Cost	2,831	2,727
Contributions from scheme participants	429	420
<i>Remeasurements (gains) and losses:</i>		
Actuarial (gains) and losses arising on changes in demographic assumptions	(1,539)	-
Actuarial losses arising from changes in financial assumptions	16,178	(5,459)
Other experience	321	(1,196)
Benefits paid	(3,018)	(2,693)
Closing Balance at 31 March	100,051	83,086

Local Government Pension Scheme assets comprised:

	Fair Value of Scheme Assets			
	2016/17		2015/16	
	Quoted prices in active markets £000	% of total assets	Quoted prices in active markets £000	% of total assets
Cash and Cash Equivalents	443	1%	569	1%
Equity Instruments				
Consumer	7,029	11%	10,925	21%
Manufacturing	919	1%	1,171	2%
Energy and utilities	1,621	3%	2,857	5%
Financial institutions	4,319	7%	5,689	11%
Information technology	2,407	4%	1,956	4%
Other	5,133	8%	5,850	11%
Debt Securities				
Corporate Bonds – Investment grade	5,812	9%	1,807	3%
Corporate Bonds – Non Investment grade	-	-	3,336	6%
UK Government	2,019	3%	1,091	2%
Other	-	-	737	1%
Property				
UK Property	5,690	9%	5,612	11%
Overseas Property	190	-	572	1%
Private Equity	1,444	2%	1,927	4%
Investment Funds and Unit Trusts				
Equities	17,178	28%	2,975	6%
Infrastructure	940	2%	-	-
Other	7,384	12%	5,658	11%
Total Assets	62,528	100%	52,732	100%

Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Local Government Pension Scheme has been assessed by Hymans Robertson, an independent firm of actuaries; estimates for the Lincolnshire Pension Fund are based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions, for the Council, used by the actuary have been:

	Local Government Pension Scheme	
	2016/17	2015/16
<i>Mortality assumptions:</i>		
Longevity at 65 for current pensioners (years):		
- Men	22.1	22.2
- Women	24.4	24.4
Longevity at 65 for future pensioners (years):		
- Men	24.1	24.5
- Women	26.6	26.8
Rate of inflation	3.4%	3.1%
Rate of increase in salaries	2.8%	3.6%
Rate of increase in pensions	2.4%	2.1%
Rate for discounting scheme liabilities	2.5%	3.4%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme	
	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	9%	7,563
0.5% increase in the Salary Increase Rate	1%	971
0.5% increase in the Pension Increase Rate	7%	6,489

Impact on the Council's Cash Flows

The contributions paid by the Council are set by the Fund Actuary at each triennial actuarial valuation, the most recent being 31 March 2016. The employer's contributions rate, over the period to 31 March 2020, has been stabilised. The stabilisation mechanism implemented is for employer contribution rates to increase at 1% p.a from the 2016/17 level.

Employer contributions payable to the scheme in 2017/18 are estimated to be £1.712m.

The weighted average duration of the defined benefit obligation for scheme members is 16.4 years, 2016/17 (17 years 2015/16).

NOTE 36 – CONTINGENT LIABILITIES

At 31 March 2017 the Council has identified the following material contingent liability:

NNDR Appeals

The Council has made provision for NNDR Appeals based upon its best estimate of known appeals as at 31 March 2017. It is not possible to quantify appeals that have yet to be lodged with the Valuation Office Agency, so there is a risk that national and local appeals will have a significant impact on the Financial Statements.

NOTE 37 – CONTINGENT ASSETS

At 31 March 2017 the Council has identified the following material contingent assets:

Section 106 Agreements

The Council has signed a number of S106 agreements that require developers to make payments to the Council at some future date dependent upon certain events taking place, for example, when a development actually starts on site. The contributions generally have conditions attached to them requiring the Council to spend the monies in specific areas and on specific items. The largest contributions that the Council are expecting to receive are from Spalding Power Station and Holland Park.

Decent Homes Loans

The Council has, for a number of years, been giving property owners loans to enable them to improve their homes to meet a decent standard. These loans have been registered with Land Registry and will only become repayable, together with interest and a proportion of the increased property value, once the dwelling is sold or otherwise disposed of. The disposal and therefore repayment could be many years in the future. Loans outstanding as at 31 March 2017 are £437,000 (£449,000 at 31 March 2016).

NOTE 38 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key risks

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 required 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 rate movements.

Overall procedures for managing risk

The Council's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services.

Risk management is carried out by a central treasury team, under policies approved by the Council in the annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies (covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash).

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch,

Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below.

This Council uses the creditworthiness service provided by Capita Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries.

The full Investment Strategy for 2016/17 was approved by Council on 24 February 2016 and is available on the Council's website.

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £29.290m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2017 that this was likely to crystallise.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions:

	Amount at 31 March 2017 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2017 %	Estimated maximum exposure to default and uncollectability at 31 March 2017 £000	Estimated maximum exposure at 31 March 2016 £000
	A	B	C	(A x C)	
Debtors	1,267	2.43%	2.43%	31	35

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

The Council does not generally allow credit for its customers, such that £177,913 of the £552,000 trade debtor balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2017 £000	31 March 2016 £000
Less than three months	435	426
Three to six months	6	4
Six months to one year	33	27
More than one year	78	58
TOTAL	552	515

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury and Investment Strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities (borrowing) is as follows:

	31 March 2017 £000	31 March 2016 £000
Less than one year	26	26
More than ten years	67,456	67,456
	67,482	67,482

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

Refinancing and maturity risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures 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. This risk relates to both the maturing of longer-term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments for greater than one year in duration are the key parameters used to address this risk. The approved treasury and investment strategies address the main risks and the 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.

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 interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- borrowings at fixed rates – the fair value of the borrowing will fall
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure Statement.

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

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

	£000
Increase in interest receivable on variable rate investments	125
Increase in government grant receivable for financing costs	17
Impact on Surplus or Deficit on the Provision of Services	142
Share of overall impact debited to the HRA	28

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

Price Risk - The Council does not generally invest in equity share or marketable bonds. However, it does have shareholdings in Compass Point Business Services (East Coast) Ltd, a joint venture with East Lindsey District Council.

It also holds an equity stake in the newly formed Municipal Bonds Agency and is the sole shareholder of Welland Homes Limited, which is the Council's wholly owned Housing Development Company. The £0.877m equity investment in Welland Homes is classified as 'available for sale', meaning that all subsequent movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure. A general shift of 5% in the general price of the equity investment (positive or negative) would thus have resulted in a £0.044m gain or loss being recognised in the Other Comprehensive Income and Expenditure for 2016/17.

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 39 – JOINT OPERATION

South Holland has joint control with East Lindsey District Council over Compass Point Business Services (East Coast) Ltd, a company established in 2010 to provide 'back office' services to both Councils. South Holland owns 37%, of the company, and East Lindsey 63%, but voting rights are split 50:50.

This arrangement is classified as a joint operation. The Council recognises on its Balance Sheet an appropriate share of its rights to the assets and obligations for the liabilities and debits and credits the Comprehensive Income and Expenditure Statement with its share of expenses incurred and income it earns from the activity of the Company.

Compass Point Business Services' attributable proportion included in the Council's Balance Sheet as at 31 March 2017:

31 March 2016 £000		31 March 2017 £000
21	Property, Plant and Equipment	3
200	Intangible Assets	113
221	Long Term Assets	116
24	Short Term Debtors	33
285	Cash and Cash Equivalents	321
309	Current Assets	354
(280)	Short Term Creditors	(220)
(280)	Current Liabilities	(220)
(1,926)	Other Long Term Liabilities	(2,715)
(1,676)	Net Liabilities	(2,465)
	Usable Reserves	
45	General Fund	150
	Unusable Reserves	
222	Capital Adjustment Account	116
(1,926)	Pension Reserve	(2,715)
(17)	Accumulated Absences Adjustment Account	(16)
(1,721)		(2,615)
(1,676)	Total Reserves	(2,465)

Compass Point Business Services' attributable proportion included in the Council's Comprehensive Income and Expenditure Account for the year:

31 March 2016 £'000		31 March 2017 £'000
2,575	Gross Pay, National Insurance and Pensions	2,438
(35)	Premises Related Expenses	(35)
38	Transport Related Expenses	37
482	Supplies and Services	408
150	Depreciation and Amortisation	106
3,210	Gross Operating Expenditure	2,954
(50)	Other Income	(48)
3,160	Cost of Services	2,906
113	Net interest on the net defined benefit liability	70
(1)	Interest receivable and similar income	(1)
3,272	(Surplus)/Deficit on the Provision of Services	2,975
(1,683)	Remeasurements of the net defined benefit liability	668
1,589	Total Comprehensive Income and Expenditure	3,643

NOTE 40 – TRUST FUNDS

The Council is custodian trustee for:

IVO Day Care Centre

The Council holds and invests £10,000 on behalf of the trust. This is not held on the Council's Balance Sheet.

Weston St Mary's Village Hall

The Council is a custodian trustee for the village hall. It has no liability for debts and is not responsible for the management of the trust property.

Ayscoughfee Hall and Gardens (registered charity 515905)

The Council, as trustee, holds the deeds on behalf of the people of Spalding.

Sir Halley Stewart Playing Field (registered charity 1084450)

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

Values placed on these assets, by an external RICS qualified valuer are shown below. They are not included in the Council's Balance Sheet.

Ayscoughfee Hall and Gardens £1,174,400 last revalued as at 31 March 2017.

Sir Halley Stewart Playing Field £115,200 last revalued as at 31 March 2017.

Trust fund revenue Account	Expenditure £000	2016/17 Income £000	Net £000	Expenditure £000	2015/16 Income £000	Net £000
Ayscoughfee Hall and Gardens	382	(26)	356	398	(59)	339
Sir Halley Stewart Playing Field	24	(9)	15	50	(4)	46

SUPPLEMENTARY FINANCIAL STATEMENTS

HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE STATEMENT

2015/16 £000		2016/17 £000
	Expenditure	
3,087	Repairs and maintenance	2,232
3,806	Supervision and management	4,259
76	Rents, rates, taxes and other charges	50
2,266	Depreciation of non-current assets (Note 6)	2,296
(263)	Revaluation of non-current assets	(24,565)
75	Debt management expenses	75
54	Movement in the allowance for bad debts	66
9,101	Total Expenditure	(15,587)
	Income	
(15,464)	Dwelling rents	(15,307)
(160)	Non-dwelling rents	(1)
(1,148)	Charges for services & facilities	(1,131)
(49)	Contribution towards expenditure	(30)
(16,821)	Total Income	(16,469)
(7,720)	Net income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	(32,056)
429	HRA share of Corporate and Democratic Core	354
(7,291)	Net income for HRA Services	(31,702)
	HRA Share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement	
(457)	Gain on sale of HRA non-current assets	(361)
2,347	Interest payable and similar charges	2,347
(64)	Interest and investment income	(62)
271	Net interest on the net defined benefit liability	275
(5,194)	Surplus for the year on HRA services	(29,503)

MOVEMENT ON THE HRA STATEMENT

2015/16 £000		2016/17 £000
8,968	Balance on the HRA at the end of the previous reporting period	8,968
5,194	Surplus for the year on the HRA Income and Expenditure Statement	29,503
(5,194)	Adjustments between accounting basis and funding basis under statute	(29,503)
8,968	Balance on the HRA at the end of the current reporting period	8,968

Adjustments between accounting basis and funding basis under statute

2015/16 £000		2016/17 £000
(457)	Gain or loss on sale of HRA non-current assets	(361)
1	Employee Benefits	2
300	HRA Share of contributions to or from the Pension's Reserve	260
(7,020)	Transfers to the Major Repairs Reserve	(7,123)
2,266	Differences relating to changes in property values	2,296
(284)	Funding of depreciation from Capital Adjustment Account	(24,577)
(284)	Reversal of Revaluation losses on HRA Property	(24,577)
(5,194)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(29,503)

NOTES TO THE HOUSING REVENUE ACCOUNT

NOTE 1 – PURPOSE OF HRA STATEMENT

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. The Council charges rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

NOTE 2 – HOUSING STOCK

The Council was responsible for managing 3,823 dwellings at 31 March 2017 (3,847 at 31 March 2016). The stock is analysed below by number of bedrooms. The Council has an equity share in 6 shared ownership properties, with the Council's equity share being equivalent to 3 dwellings.

Analysis of Housing Stock at 31 March 2017	1 Bed	2 Bed	3 Bed	3+ Bed	Total
HRA Housing Stock					
Houses	-	344	1,521	13	1,878
Bungalow	667	1,008	-	-	1,675
Flats	110	154	-	-	264
Shared Ownership	1	2	3	-	6
Total	778	1,508	1,524	13	3,823

NOTE 3 – RENT ARREARS

Rent arrears at 31 March 2017 amounted to £523,000 (£512,000 in 2015/16) and are analysed as follows:

	31 March 2017 £000	31 March 2016 £000
Rent Arrears Due From		
Residential - Current Tenants	322	318
- Former Tenants	181	175
Non Residential - Garages	20	19
Total	523	512
These arrears include all charges due from tenants: rents, service charges and other charges.		
Allowance for bad debts	(266)	(260)

NOTE 4 – ASSET VALUES

The Balance Sheet value of assets within the Council's HRA is shown below:

	31 March 2017 £000	31 March 2016 £000
Property, Plant and Equipment		
Council Dwellings	147,724	117,516
Other Land and Buildings	283	818
Infrastructure – Housing Sewerage	630	700
Vehicles, Plant and Equipment	11	16
Surplus Assets	308	301
Community Assets	46	46
Non-operational assets		
Assets Under Construction	78	24
Intangible Non-Current Assets	69	143
Assets Held For Sale	768	607
Total	149,917	120,171

NOTE 5 – VACANT POSSESSION

The vacant possession value is the Council's estimate of the total sum that it would receive if all the dwellings were sold on the open market. The Balance Sheet value is calculated on the basis of rents receivable on existing tenancies. These are less than would be obtainable on the open market, and the Balance Sheet value is therefore lower than the vacant possession valuation. The difference between the two values therefore shows the economic cost of providing housing at less than market value. The vacant possession value of dwellings within the HRA is shown below:

	2016/17 £000	2015/16 £000
Vacant possession value	351,726	345,635

NOTE 6 - DEPRECIATION

	2016/17 £000	2015/16 £000
Depreciation		
Council dwellings	2,072	2,027
Other Land and Buildings	27	27
Infrastructure - Housing Sewerage	142	162
Vehicles, Plant & Equipment	6	13
	2,247	2,229
Amortisation		
Intangible Assets	49	37
Total	2,296	2,266

NOTE 7 – CAPITAL EXPENDITURE AND FINANCING

	2016/17 £000	2015/16 £000
Housing Capital Expenditure and Financing		
Expenditure		
Improvements and enhancements to Council Dwellings	2,926	4,315
New Build – Council Dwellings	53	24
Improvements to wastewater treatments	73	50
Information systems	-	61
Total Expenditure	3,052	4,450
Financing		
Capital receipts	16	39
Major Repairs Reserve	3,036	4,411
Total Financing	3,052	4,450

NOTE 8 – CAPITAL RECEIPTS FROM DISPOSAL OF ASSETS

	2016/17 £000	2015/16 £000
Sale of Council Houses under the Right to Buy Scheme	1,443	1,254
Sale of Void Property	-	110
Sale of HRA Land	22	-
Mortgage repayments	3	3
Total from Disposals	1,468	1,367

NOTE 9 – MAJOR REPAIRS RESERVE

The Major Repairs Reserve is maintained to meet HRA Capital Investment. Movements on the reserve were:

	2016/17 £000	2015/16 £000
Balance at 1 April	2,609	-
Transfers from the HRA		
Depreciation	2,296	2,266
Funding set-aside for Capital Investment	4,827	4,754
Financing of Capital Investment	(3,036)	(4,411)
Balance at 31 March	6,696	2,609

COLLECTION FUND STATEMENT

2015/16			2016/17			
Council Tax £000	Non- Domestic Rates £000	Total £000		Council Tax £000	Non- Domestic Rates £000	Total £000
(39,067)		(39,067)	Income	(41,043)		(41,043)
	(25,960)	(25,960)	Council Tax receivable (Note 2)		(26,696)	(26,696)
	(478)	(478)	Non-Domestic Rates receivable (Note 3)			
			Transitional Protection Payments			
	(341)	(341)	Contributions towards previous year's Collection Fund deficit			
			Central Government		(1,213)	(1,213)
-	(272)	(272)	South Holland District Council	-	(970)	(970)
-	(68)	(68)	Lincolnshire County Council	-	(242)	(242)
(39,067)	(27,119)	(66,186)	Total Income	(41,043)	(29,121)	(70,164)
			Expenditure			
			Precepts, demands and shares			
	13,210	13,210	Central Government		12,818	12,818
4,825	10,568	15,393	South Holland District Council	5,132	10,255	15,387
27,981	2,642	30,623	Lincolnshire County Council	29,949	2,564	32,513
5,093		5,093	Police and Crime Commissioner for Lincolnshire	5,346		5,346
	-	-	Transitional Protection Payments		2,414	2,414
			Impairment of debts/appeals			
85	30	115	Increase in allowance for impairment	115	142	257
	334	334	Increase in provision for appeals (Note 4)		521	521
	113	113	Cost of Collection Allowance		111	111
	207	207	Renewable Energy		243	243
			Contributions towards previous year's Collection Fund surplus			
75	-	75	South Holland District Council	140	-	140
434	-	434	Lincolnshire County Council	812	-	812
79		79	Police and Crime Commissioner for Lincolnshire	148		148
38,572	27,104	65,676	Total Expenditure	41,642	29,068	70,710
(495)	(15)	(510)	(Surplus)/Deficit arising during year	599	(53)	546
(660)	2,160	1,500	Deficit/(surplus) at beginning of year	(1,155)	2,145	990
(1,155)	2,145	990	Deficit/(surplus) at end of year (Note 5)	(556)	2,092	1,536

NOTES TO THE COLLECTION FUND STATEMENT

NOTE 1 – PURPOSE OF COLLECTION FUND STATEMENT

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to local authorities and the Government of council tax and non-domestic rates.

NOTE 2 – COUNCIL TAX RECEIVABLE

Council Tax income derives from charges raised according to the value of residential properties that have been classified into eight Valuation Bands (A to H). Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Lincolnshire County Council, Police and Crime Commissioner for Lincolnshire and South Holland District Council, together with the relevant Parish requirement.

This is then divided by the council tax base, i.e. the number of properties in each valuation band, converted to an equivalent number of band D dwellings and adjusted for discounts and exemptions.

The council tax base was calculated as follows:

Band	No. of properties on Valuation List	No. of chargeable dwellings	Ratio	Band D equivalent dwellings
A (with Disabled Relief)		27	5/9	15
A	15,126	10,764	6/9	7,176
B	8,524	7,060	7/9	5,491
C	9,738	8,567	8/9	7,615
D	4,076	3,897	9/9	3,897
E	1,763	1,644	11/9	2,009
F	361	343	13/9	495
G	99	89	15/9	148
H	13	7	18/9	14
Band D Equivalents				26,860
Allowance for non-collection (1.22%)				(329)
District Tax Base				26,531

The basic amount of council tax for a band D property including an average parish charge, £1,523.77 (2015/16 £1,470.82), is then multiplied by the ratio specified for the particular band to give an individual amount due.

NOTE 3 – NON-DOMESTIC RATES RECEIVABLE

Under the arrangements for non-domestic rates, the Council collects rates for its area based on local rateable values (determined by the Valuation Office Agency, an executive agency of HM Revenue and Customs) multiplied by the multiplier (determined by the Government). For 2016/17 there are two multipliers, the non-domestic rating multiplier of 49.7p and the small business non-domestic rating multiplier of 48.4p.

The Council's total Non-Domestic Rates Rateable Value at 31 March 2017 was £62.279m (31 March 2016 £63.625m).

NOTE 4 – NON-DOMESTIC RATES PROVISION FOR APPEALS

The Collection Fund provides for a provision for appeals against the Rateable Value set by the Valuation Office Agency (VOA) not settled at 31 March 2017.

	Business Rate Appeals	
	£000	£000
Balance at 1 April 2016		(4,206)
Amounts used in 2016/17		148
		(4,058)
Additional provisions made in 2016/17	(2,455)	
Unused amounts reversed in 2016/17	1,935	
Increase in Provision		(520)
Balance at 31 March 2017		(4,578)

NOTE 5 – COLLECTION FUND DEFICIT/ (SURPLUS)

As at 31 March 2017, the net deficit on the Collection Fund is £1.536m (£0.990m at 31 March 2016).

The Council Tax surplus is apportioned to the relevant precepting bodies based on the following year's Council Tax requirement. Whereas, the Non-Domestic Rates deficit is apportioned to South Holland (40%), Central Government (50%) and Lincolnshire County Council (10%).

The balance on the Collection Fund is allocated as follows:-

2015/16			2016/17	
Council Tax	Non-Domestic Rates		Council Tax	Non-Domestic Rates
£000	£000		£000	£000
	1,072	Central Government		1,046
(146)	858	South Holland District Council	(70)	837
(856)	215	Lincolnshire County Council	(413)	209
(153)		Police and Crime Commissioner for Lincolnshire	(73)	
(1,155)	2,145	(Surplus)/deficit	(556)	2,092

GROUP ACCOUNTS

The Council is not required to produce a Group Expenditure and Funding Analysis.

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Gross Expenditure £000	2015/16 Gross Income £000	Net Expenditure £000		Gross Expenditure £000	2016/17 Gross Income £000	Net Expenditure £000
23,643	(21,257)	2,386	Growth and Commercialisation Directorate	21,709	(20,417)	1,292
18,175	(20,797)	(2,622)	Place Directorate	17,979	(20,776)	(2,797)
3,947	(265)	3,682	Strategy and Governance Directorate	4,115	(363)	3,752
-	-	-	Exceptional Item – Revaluation of Council Dwellings following change in Social Housing Factor for the East Midlands	(24,400)	-	(24,400)
45,765	(42,319)	3,446	Cost of Services	19,403	(41,556)	(22,153)
4,389	(1,404)	2,985	Other operating expenditure	5,074	(1,466)	3,608
5,106	(1,997)	3,109	Financing and investment income and expenditure	5,209	(2,151)	3,058
7,221	(20,093)	(12,872)	Taxation and non-specific grant income and expenditure	6,751	(18,963)	(12,212)
62,481	(65,813)	(3,332)	Deficit on the Provision of Services	36,437	(64,136)	(27,699)
		(2,473)	Surplus on revaluation of property, plant and equipment assets			(8,487)
		(5,606)	Remeasurements of the net defined benefit liability			6,128
		(8,079)	Other Comprehensive Income and Expenditure			(2,359)
		(11,411)	Total Comprehensive Income and Expenditure			(30,058)

GROUP MOVEMENT IN RESERVES STATEMENT

2016/17	General Fund Balance	General Fund Earmarked Reserves	Housing Revenue Account	HRA Earmarked Reserve	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Reserves of Subsidiaries	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2016	2,101	7,441	8,968	200	2,609	2,579	1,688	25,586	46,272	71,858	1,001	72,859
Movement in Reserves during 2016-17												
Total Comprehensive Income and Expenditure	(1,836)	-	29,503	-	-	-	-	27,667	2,359	30,026	32	30,058
Adjustments between group accounts and authority accounts	55	-	-	-	-	-	-	55	-	55	(55)	-
Net (Increases)/Decreases before transfers	(1,781)	-	29,503	-	-	-	-	27,722	2,359	30,081	(23)	30,058
Adjustments between accounting basis & funding basis under regulations	2,796	-	(29,503)	-	4,087	993	(76)	(21,703)	21,703	-	-	-
Increase/Decrease in Year	1,015	-	-	-	4,087	993	(76)	6,019	24,062	30,081	(23)	30,058
Transfer to/from Earmarked Reserves	(902)	902	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2017 carried forward	2,214	8,343	8,968	200	6,696	3,572	1,612	31,605	70,334	101,939	978	102,917

2015/16	General Fund Balance £000	General Fund Earmarked Reserves £000	Housing Revenue Account £000	HRA Earmarked Reserve £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority's Share of Reserves of Subsidiaries £000	Total Reserves £000
Balance at 31 March 2015	2,055	9,274	8,968	200	0	1,907	1,522	23,926	36,554	60,480	968	61,448
Movement in Reserves during 2015-16												
Total Comprehensive Income and Expenditure	(1,880)	-	5,194	-	-	-	-	3,314	8,079	11,393	18	11,411
Adjustments between group accounts and authority accounts	(15)	-	-	-	-	-	-	(15)	-	(15)	15	
Net (Increases)/Decreases before transfers	(1,895)	-	5,194	-	-	-	-	3,299	8,079	11,378	33	11,411
Adjustments between accounting basis & funding basis under regulations	108	-	(5,194)	-	2,609	672	166	(1,639)	1,639	-	-	0
Increase/(Decrease) in Year	(1,787)	-	-	-	2,609	672	166	1,660	9,718	11,378	33	11,411
Transfer to/from Earmarked Reserves	1,833	(1,833)	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2016 carried forward	2,101	7,441	8,968	200	2,609	2,579	1,688	25,586	46,272	71,858	1,001	72,859

A description of the nature and purpose of each of the usable reserves can be found in Note 9 on page 50. Unusable reserves can be found in Note 24 on pages 63-67.

GROUP BALANCE SHEET

31 March 2016 £000		31 March 2017 £000
145,174	Property, Plant and Equipment	176,484
113	Heritage Assets	107
1,524	Investment Property	2,126
564	Intangible Assets	329
50	Long Term Investments	50
157	Long Term Debtors	130
147,582	Long Term Assets	179,226
21,027	Short Term Investments	29,290
607	Assets Held for Sale	768
3,007	Short Term Debtors	2,933
7,655	Cash and Cash Equivalents	6,336
32,296	Current Assets	39,327
-	Cash and Cash Equivalents	(1,115)
(26)	Short Term Borrowing	(26)
(6,684)	Short Term Creditors	(7,194)
(460)	Grants Receipts in Advance - Capital	(200)
(1,682)	Provisions	(1,831)
(8,852)	Current Liabilities	(10,366)
(67,456)	Long Term Borrowing	(67,456)
(30,621)	Other Long Term Liabilities	(37,790)
(90)	Grants Receipts in Advance – Capital	(24)
(98,167)	Long Term Liabilities	(105,270)
72,859	Net Assets	102,917
26,316	Usable Reserves	32,238
46,543	Unusable Reserves	70,679
72,859	Total Reserves	102,917

GROUP CASH FLOW STATEMENT

2015/16 £000	2015/16 £000		2016/17 £000	2016/17 £000
	3,332	Net surplus on the provision of services		27,699
5,163		Adjustments to net surplus or deficit on the provision of services for non-cash movements	(17,096)	
(2,377)	2,786	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(2,015)	(19,111)
	6,118	Net cash flows from Operating Activities		8,588
	(9,624)	Investing Activities		(10,544)
	608	Financing Activities		(478)
	(2,898)	Net increase/(decrease) in cash and cash equivalents		(2,434)
	10,553	Cash and cash equivalents at the beginning of the reporting period		7,655
	7,655	Cash and cash equivalents at the end of the reporting period		5,221

The Council is the sole owner of two subsidiary companies: South Holland Local Housing Community Interest Company ("South Holland Homes"), and Welland Homes Ltd ("Welland Homes"), holding 100% of the issued share capital in each. It therefore has control over both of these entities and is required to prepare group accounts, which reflect the financial position, financial performance and cash flows of the group.

Explanatory Notes to the Group Accounts

Where figures in the group accounts differ materially from the Council's accounts, the relevant explanatory notes have been prepared on a consolidated basis. The notes below give information on the areas that have materially changed on consolidation of the group entities into the Council's accounts.

Accounting Policies

The financial statements of South Holland Homes and Welland Homes have been prepared in accordance with the Financial Reporting Standard 102 Section 1A - "The Financial Reporting Standard applicable in the UK and Republic of Ireland". There are no significant differences in the accounting policies of the subsidiary companies and the Council that would cause a material adjustment in the consolidation of the Group Accounts. Any statutory adjustments between accounting and funding basis included in the Council's accounting policies do not apply to the subsidiary company.

Notes within the group accounts have not been provided except where there are material differences to those provided in the notes above.

GROUP INVESTMENT PROPERTY

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Group Comprehensive Income and Expenditure Statement:

2015/16		2016/17
£000		£000
(101)	Rental Income from investment property	(117)
36	Direct operating expenses arising from investment property	31
(42)	Net (gains)/losses from fair value adjustments	(51)
(107)	Net (gain)/loss	(137)

There are no restrictions on the Group's ability to realise the value inherent in its investment property or on the Group's right to the remittance of income and the proceeds of disposal.

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

2015/16		2016/17
£000		£000
1,569	Balance at start of the year	1,524
-	Additions resulting from acquisitions	550
42	Net gains/(losses) from fair value adjustments	52
	Transfers:	
(87)	To/from Property, Plant and Equipment	-
1,524	Balance at end of the year	2,126

Fair Value Hierarchy

Details of the Group's investment properties and information about the fair value hierarchy as at 31 March 2017 is as follows:

Fair Value Level 2		Fair Value Level 2
2015/16		2016/17
£000		£000
737	Commercial Industrial Units	739
787	Residential Investment Property	1,387
1,524	Balance at end of the year	2,126

Valuation Techniques Used to Determine Level 2 for Investment Properties

Significant Observable Inputs – Level 2

The fair value of investment properties has been measured using two main approaches - the income method and the comparable method.

For land only assets the Valuers have compared sale prices of comparable land in applicable uses and similar locations before making adjustments for differences in key attributes such as land size.

For land and building assets the Valuers have relied upon data ascertained from current evidence of passing rents on comparable properties including new lettings and rent reviews. Evidence of yields has been taken from the sale of comparable investments having regard to the type of property, covenant strength and lease terms. Factors of relevance in the leases include the lease term, rent review frequency, any break clauses and obligations for repair, maintenance and buildings insurance.

Valuation inputs for rental and yield which are directly applicable i.e. an almost identical property let to a similar covenant on the same repairing and insuring terms for a similar term to the valuation subject are said to be 'observable inputs' as they are directly comparable with limited

adjustment and are said to be a Level 2 in the fair value hierarchy.

Certain residential investment properties were purchased during the year by Welland Homes Ltd, with a purchase completion date of 31 March 2017. These properties are carried at cost as this carrying value is deemed not to be materially different from the fair value at the reporting date.

Highest and best use of Investment Properties

In estimating the fair value of the Group's investment properties, the highest and best use of the properties is deemed to be their current use.

Valuation Process for Investment Properties

The fair value of the Group's surplus assets is measured at each reporting date, with the exception of the Welland Homes properties mentioned above at 31 March 2017. All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Group's valuation experts work closely with finance officers regarding all valuation matters.

GROUP CASH AND CASH EQUIVALENTS

The balance of Group Cash and Cash Equivalents is made up of the following elements:

31 March 2016 £000		31 March 2017 £000	
1	Cash held by the Council	1	
791	Bank current accounts	1,075	
6,863	Deposits with Banks on Instant Access	5,260	
7,655	Cash and Cash Equivalents categorised as Current Assets	6,336	
-	Bank current accounts	(1,115)	
-	Cash and Cash Equivalents categorised as Current Liabilities	(1,115)	
7,655	Total Cash and Cash Equivalents	5,221	

ADDITIONAL INFORMATION

The notes that follow relating to each entity are produced to assist the reader's understanding of the relationship between the Council and the entity.

Contingent Liabilities

There are no contingent liabilities for 2016/17 relating to the interests in the companies and joint venture or in the entities themselves that are not disclosed elsewhere in the Accounts.

South Holland Local Housing Community Interest Company – South Holland Homes

South Holland Homes was established by the Council in 2008/09 for the purpose of accessing social housing grant from the Homes and Communities Agency. This was in order to provide affordable and social housing for the benefit of the local community. In 2009/10, 6 new properties were constructed. These are tenanted and managed by the Council.

In 2016/17 the Council collected rent of £26,595 on behalf of the Company and charged management, support fees and other expenses of £9,104. There was an outstanding balance of £9,368 due to the Council at 31 March 2017 (no significant balances outstanding at 31 March 2016).

Retained Surplus/Deficit

In 2016/17 the company made a profit after tax of £15,337 (2015/16 £13,397). This is included in the Group Comprehensive Income and Expenditure Statement.

Assets and Liabilities

At 31 March 2017, South Holland Homes held fixed assets valued at £837,200 and current assets totalling £508,982, Liabilities consisted of short term creditors of £12,610, and long term creditors of £267,000.

Commitments under capital contracts

At 31 March 2017 the company had no commitments under capital contracts (31 March 2016 nil).

Inter-organisation Balances

Group accounting regulations require that inter-organisation balances be removed. The following balances were removed in 2016/17:

Debtors – Nil (2015/16 £1,023)
Creditors – £9,368 (2015/16 Nil)

Inter-organisation transactions

Group accounting regulations require that inter-organisation transactions be removed. The following transactions were removed in 2016/17:

Rent £26,595 (2015/16 £26,593)
Management and support fees and other expenses £9,104 (2015/16 £11,583)

Further information about the accounts of South Holland Homes is available from the Company Secretary, M Stinson, Council Offices, Priory Road, Spalding, Lincolnshire, PE11 2XE.

Welland Homes Ltd

During 2015/16 the Council established a wholly owned subsidiary company, Welland Homes Ltd, in order to meet a number of social and economic objectives including increasing housing supply in the area to address existing demand and meet the needs of a growing population.

During the year, Welland Homes entered into a contract to purchase 15 new build residential properties and at the year end had completed on the purchase of 4 of these. The Council committed to providing financial support to Welland Homes in the form of a £1,351,483 loan facility, to be used to purchase residential property. At 31 March 2017 Welland Homes had drawn down £408,851 of this loan. There was an outstanding amount of £409,321 due to the Council at 31 March 2017 including £470 interest due on the loan.

The Council recharged the costs incurred in relation to the purchase of investment properties on behalf of the company of £116,180 in the year. The Council also recharged other expenses incurred on behalf of the company of £84,891 in the year.

Retained Surplus/Deficit

In 2016/17 the company made a loss after tax of £88,361 (2015/16 Nil). This is included in the Group Comprehensive Income and Expenditure Statement.

Assets and Liabilities

At 31 March 2017, Welland Homes held fixed assets valued at £550,377 and current assets totalling £650,649. Liabilities consisted of short term creditors of £3,470, and long term creditors of £408,851.

Commitments under capital contracts

At 31 March 2017 the company had commitments under capital contracts totalling £1.365m (31 March 2016 nil).

Inter-organisation Balances

Group accounting regulations require that inter-organisation balances be removed. The following balances were removed in 2016/17:

Creditors – £408,851 (2015/16 Nil)

Inter-organisation transactions

Group accounting regulations require that inter-organisation transactions be removed. The following transactions were removed in 2016/17:

Management and support fees and other expenses £71,657 (2015/16 Nil)

Further information about the accounts of Welland Homes is available from the Company Secretary, V Cherry, Council Offices, Priory Road, Spalding, Lincolnshire, PE11 2XE.



Independent auditor's report to the members of South Holland District Council

We have audited the financial statements of South Holland District Council for the year ended 31 March 2017 on pages 21 to 103. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's and the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2017 and of the Authority's and the Group's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement set out on pages 107 to 113 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' (CIPFA/SOLACE 2016 Edition); or
- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

Conclusion on South Holland District Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2016, as to whether South Holland District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether South Holland District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, South Holland District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

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



John Cornett

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

St Nicholas House

31 Park Row

Nottingham

NG1 6FQ

29 September 2017

Annual Governance Statement

For the Year Ended 31 March 2017

Scope of responsibilities

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, 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.

In discharging this overall responsibility, South Holland District Council is also responsible for ensuring that there is a sound system of governance which facilitates the effective exercise of its functions, guarantees that the financial and operational management of the authority is effective and includes arrangements for the management of risk.

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. This statement explains how the Council has complied with the Code and also meets the requirements of the Accounts and Audit Regulations (England) 2015.

The purpose of the Governance Framework

The Governance Framework comprises the systems and processes, culture and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

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 and 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 the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The Governance Framework has been in place at South Holland District Council for the year ended 31 March 2017 and up to the date of approval of the Financial Statements.

The Governance Framework

The Full Council (i.e. meetings to which all South Holland District Councillors are invited and are eligible to vote) is responsible for developing the Policy Framework, making constitutional decisions and dealing with a number of other matters that the law or the constitution reserves to the Council. The Council elects a Leader for a term of four years, and the Leader appoints a Cabinet of up to nine other Councillors, each holding a portfolio of responsibility.

The Constitution of the Council was subject to a full review in 2016 and is also updated throughout the year. It sets out how the Council operates, what matters are reserved for decision by the whole Council, the responsibilities of the Cabinet and the matters reserved for collective and individual decisions, and the powers delegated to panels, committees and community councils. Decision-making powers not reserved for Councillors are delegated to Chief Officers, Deputy Chief Officers and other senior officers of the Council. The Monitoring Officer oversees decision-making processes and has a duty to take action in respect of any actual or anticipated unlawful action or maladministration. The Monitoring Officer supports the Standards Panel in promoting high standards of conduct amongst Members.

The Policy Development Panel and the Performance Monitoring Panel scrutinise decisions made by the Cabinet, and those delegated to officers, and review services provided by the Council and its partners. The Monitoring Officer promotes and supports the scrutiny functions of the Council.

The Governance and Audit Committee is responsible for monitoring the effective development and operation of corporate governance in the Council. It provides independent assurance of the adequacy of the governance arrangements, including the risk management framework, the associated control environment, financial and non-financial performance including exposure to risk and potential threats to the control environment, oversight of the financial reporting process and scrutiny of the Treasury Management Strategy and policies.

The overall budget and policy framework is set by the Full Council meeting and all decisions are made within this framework. The Full Council is also responsible for approving the General Fund Budget; the Housing Revenue Account rent charges and budget, Capital strategy and expenditure programmes, Special expenses, Treasury Management and the Medium Term Financial Plan.

The statutory officers of South Holland District Council are the Head of the Paid Service, the Monitoring Officer and the Section 151 Officer. They are responsible for staff and ensuring the Council acts within the law and in accordance with established policies and procedures. The Section 151 Officer is specifically responsible for the proper discharge of financial arrangements and must advise the Council where any proposal might be unlawful or where expenditure is likely to exceed resources, and to ensure that the authority's financial management arrangements conform to the governance requirements as set out in the Chartered Institute of Public Finance and Accountancy statement on the Role of the Chief Financial Officer (2010).

The Monitoring Officer is responsible for advising the Council if any proposal, decision or omission is likely to give rise to unlawfulness or maladministration.

The statutory officers are also members of the authority's Corporate and Executive Management Teams. Service Managers are responsible for ensuring that legislation and policy relating to service delivery and health and safety are implemented in practice.

Strategic leadership

The authority updates and issues a corporate plan on an annual basis setting out ambitions and aims for delivering an increase to the prosperity and wellbeing of our residents and businesses, whilst striving to protect and enhance the environment and unique historic character of the district. It explains the context of the area of South Holland, the challenges faced, and how the views of residents influence priorities for action. The corporate plan highlights planned activities over a four year period and sets out corporate values and behaviours.

Partnership working

The Financial Regulations of the Council 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.

The South Holland District Council shared management arrangement with Breckland District Council is now well established. This commitment to sharing a management team does not encompass the elected Councils which will continue to exercise independent democratically accountable local government in their respective districts, each having its own governance arrangements. A Memorandum of Understanding is in place, and sets out the governance arrangements for shared management and joint working.

Companies

Compass Point Business Services (East Coast) Ltd. (CPBS) was set up by South Holland and East Lindsey District Councils in August 2010 to deliver human resources, customer services, ICT, revenues and benefits, and financial services to the two authorities. South Holland District Council owns a 37% stake in the company with the remaining share being owned by East Lindsey District Council. Each authority has equal voting rights.

The CPBS Board of Directors includes Councillors and Chief Officers of both authorities. The company has regularly reported its progress on performance of services to the Monitoring Officer, with quarterly shareholder performance being subject to Scrutiny.

An annual business plan is approved by Council. The ongoing governance arrangements are set out in the Service Level Agreement (SLA), and a management Agreement is in place that sets out the partnership arrangements, principles and parameters.

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

Welland Homes Limited was set up during 2015/16 and became fully operational in 2016/17 with the Council as the sole shareholder. The Board of Directors is responsible for preparing the Director's report, Financial Statements and governance arrangements for the company. Officers of the Council work within this framework to deliver services to the company and Welland Homes operates within the governance arrangements of the Council when delivering services to the authority.

Quality of service

The annual business planning processes are part of an integrated planning framework which ensures that service planning and related resource management flow from the Corporate Plan and the Medium Term Financial Plan. The overall effectiveness of services is measured through the performance management framework. Quarterly service and financial performance is reported formally to Cabinet. The Policy Development Panel and the Performance Monitoring Panel scrutinise the performance of the Council against specific targets.

Transparency

The Council strives to be publicly accountable and routinely presents its work with openness and transparency on its website in accordance with the requirements of the Local Government Transparency Code 2015.

Complaints

The Council has in place a Whistle-blowing Policy as well as a compliments and complaints procedure that ensure that any referrals are fully investigated, properly resolved and learning applied to service delivery. Systems and procedures have been enhanced to ensure that complaints/service requests are a cornerstone of the management approach of the Council.

Functions and roles

Effective leadership

The Constitution sets out roles and responsibilities for the Council and its standing committees, as well as the Leader, Cabinet and Portfolio Holders. All working groups have clear terms of reference for their work in supporting policy development and progress monitoring. Roles and responsibilities of Councillors are defined in both generic and specific job descriptions that have been tested through consultation and based on a recommended national 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.

The Council has adopted a standard form of committee report which seeks to ensure that all matters coming to Councillors for decision have first received consideration in respect of all appropriate and necessary, legal, financial and professional matters, as well as risk. This has been expanded to include coverage of technical matters such as carbon footprint. The Council updates and publishes Key Decision and Exempt Decision Plans. These record all key and exempt decisions the Executive expects to make in the next twelve months.

Working relationships

The Constitution of the Council sets out all a number of delegated authorities for Officers, including the conditions of such delegation. Other delegations may also be granted separately from the constitution and these are recorded in a log maintained by the Monitoring Officer.

All staff have conditions of employment and job descriptions that set out their roles and responsibilities. There is also a competency framework. The framework defines the competencies required of each post in the Council so that individuals can be assessed against them to identify suitability for the posts, areas of strength and areas for further development. Competencies can be used to measure how well we do things and are essential to the performance management process. The competencies provide consistent standards across the organisation, which align to the corporate Core Values and help to identify the types of behaviour the Council wishes to promote, develop and engender.

Standards of conduct

The Council has a duty to promote the highest standards of conduct and personal behaviour from members including co-opted members of the authority and expects the highest standards of conduct and personal behaviour from staff. These standards are defined and communicated through codes of conduct, protocols and other documents.

Financial and risk management

The Executive Director (Commercialisation) is designated the responsible officer for the administration of the financial affairs of the Council 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. The Section 151 Officer is specifically responsible for the proper discharge of financial arrangements and must advise the Council where any proposal might be unlawful or where expenditure is likely to exceed resources, and to ensure that financial management arrangements conform to the governance requirements as set out in the Chartered Institute of Public Finance and Accountancy statement on the Role of the Chief Financial Officer.

The Council operates a strong financial management framework to ensure the lawful and best economic use of the Council's assets. Financial regulations are supported by effective financial procedures underpinned by the work of internal and external audit. Financial regulations and contract procedure rules are periodically reviewed to ensure they remain effective in supporting sound internal control.

Legal and regulatory compliance

Compliance with established policies, procedures, statements, laws and regulations is ensured by the requirements of the constitution to give the Chief Executive, the Monitoring Officer and the Chief Finance Officer (Executive Director Commercialisation) 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.

Councillor and officer development

The Council has a Councillor Development Working Group and provides opportunities to all members to undertake appropriate Development, both on first election and on an on-going basis. In addition certain regulatory committees require member training before undertaking that role. The Council is working towards reaccreditation for the Member Development Charter.

Staff performance is managed using a performance development framework. The Performance Development Review (PDR) process improves communications and ensures employees have clear objectives and an understanding of how they contribute to corporate priorities and goals. All Council employees have an annual Performance Development Review which is followed up and monitored by the reviewer and reviewee throughout the year. PDR's include a process for identifying training and development needs, in addition to aligning to the corporate core values and competence frameworks required by staff.

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

Senior officers are also expected to keep abreast of developments in their profession at all times and attend suitable training to maintain their professional competency.

Community engagement

The Council is committed to listening to and involving the community and consistently demonstrates that it does, therefore both the Medium Term Financial Plan and the Corporate Plan went out for public consultation prior to adoption. Our consultation processes provide useful feedback on services, public perceptions and quality of life; we provide guidance on good practice and we profile respondents to better understand equalities implications. The Housing Service employs a tenant engagement officer to work closely with our tenants, some of whom are also our most vulnerable, and understand their specific needs. Our community engagement strategy provides a robust strategic framework for addressing the most significant barriers to engagement in South Holland, and a programme of action for improving information provision, consultation and empowerment. This is complemented by our web strategy and online capability.

Risk management

Risk management continues to be an integral part of the daily activities of the Council. All Member decisions are supported by a commentary on the risks involved in taking the decision with this developing greater Member appreciation of risk, not least through reports to the Governance and Audit Committee.

Arrangements are embedded in the Corporate Risk Management Strategy and risk registers which are regularly reviewed and changed in line with current circumstances.

Legal powers

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

Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the annual report of the Head of Internal Audit, and also by comments made by the external auditors and other review agencies and inspectorates.

The Governance and Audit Committee provides advice on the effectiveness of the governance arrangements. It has an important role as the designated audit committee for the Council and considers the findings of internal and external audit. It ensures that audit recommendations are implemented and considers the effectiveness of 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.

The S151 Officer has provided the Internal Audit service through a contract with Eastern Internal Audit Services Ltd which monitors the effectiveness of the control environment and reports specific recommendations to the senior management and the 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 Substantial, Reasonable, Limited or No assurance by internal audit.

From the work undertaken by Internal Audit during the year, the Head of Internal Audit provides an opinion on the effectiveness of South Holland District Council's arrangements for governance, risk

management and control, for the 2016/17 financial year the opinion concluded is of reasonable assurance.

Internal Audit Work has not identified any weaknesses significant enough for inclusion within the Annual Governance Statement. However some issues have been brought to the attention of the Governance and Audit Committee, in particular:

- The need to make sure that areas of work postponed in 2016/17 as a result of the reduced internal audit work plan are reviewed (as planned) in 2017/18,
- Key Position Statements issued with suggested improvements for delivery in the areas of Leisure and IT Delivery, both of which will be followed up during 2017/18,
- Issues identified with regards to the raising of purchase orders and credit notes which will need to be addressed early in 2017/18, to ensure that a robust and consistent process is followed,
- Potential resilience issues which will need to be more closely examined early in 2017/18 with regards to the availability of key contacts, combined with the loss of key staff and vacancies in Finance,
- Internal Audit will also ensure that Fraud related policies are updated early in 2017/18 to ensure these meet legislative and best practice requirements.

All issues raised are subject to action plans to improve the control environment.

The Executive Management team receives regular reports from governance boards which were set up to manage corporate performance and risk. These boards include Transformation, Commercialisation and Growth, employee relations, safeguarding, health and safety, emergency planning, and finance, as well as the statutory officers group. There are a number of other groups covering cross cutting themes and specific services which also report to the Corporate Management Team.

South Holland District Council also participates in the Lincolnshire Counter-Fraud Partnership and regular updates are circulated within applicable departments and partner organisations to ensure controls are amended as necessary.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by Cabinet and Governance and Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the Governance Framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

Significant governance issues

The work of Internal Audit is highlighted in their Annual Report which raises concerns on service delivery arrangements, management of risks and operation of controls. The review of effectiveness provides reasonable overall assurance on the Governance system. Specific opportunities for improvement in risk management and internal controls have been identified as part of this process and are included in action plans for relevant officers and are noted on the Head of Internal Audit's annual opinion.

The Council faces a number of issues and areas of significant change that will require consideration and action as appropriate over the medium to long term:

- Delivery of the Transformation Programme, based on Digitalisation, Aligning Public Services, Organisational Design and Commercialisation is in progress and is a crucial component of the Medium Term Financial Plan,
- The continuing need to develop commercial partnership working to deliver houses and support economic growth,
- The development of a clear plan of approach to the forthcoming review of the Council's Leisure Contract,

- Delivering the Corporate Plan aim of being a Landlord of choice will necessitate a continued strengthening of the HRA including commencement of the Affordable Housing programme,
- Ongoing and additional impact of business rates specifically in relation to appeals, and generally on the achievement of government targets, the review of business rate retention arrangements and the extension of discretionary rate relief policy on funding and pooling arrangements within Greater Lincolnshire,
- Continuing impact of reduced government funding, reductions in housing rents and implications of right to buy and other national housing policies,
- Continued potential impact of Welfare Reform including the delayed introduction of universal credit – work is still required to understand the timing and detail of the roll out and to quantify the possible impact across the Council,
- Ongoing and additional impact of Housing Benefit subsidy particularly in respect of Local Authority error rates.

Certification

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements, including the continual development of the Risk Management Framework.

We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

We are satisfied that appropriate arrangements are in place to address improvements identified in our review of effectiveness. Progress on these improvements and mitigation of risks will be monitored by the Executive Management Team and Governance and Audit Committee through the year and be considered in our next annual review.



Anna Graves
Chief Executive

Date:



Lord Porter of Spalding
Leader of the Council

Date:

GLOSSARY OF TERMS

Accounting Period

This is the period of time covered by the accounts, normally twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

Accruals Basis

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

Actuarial Gains and Losses

Actuaries assess financial and non-financial information by the Council to project levels of future pension fund requirements. Changes in actuarial deficits or surpluses can arise leading to a loss or gain because:

- events have not coincided with the actuarial assumptions made for the last valuation
- the actuarial assumptions have changed

Appointed Auditors

Public Sector Audit Appointments Limited (PSAA) appoints external auditors to every local authority from one of the major firms of registered auditors. For South Holland this is KPMG.

Balance Sheet

This is a statement of the recorded assets, liabilities and other balances held at the end of the accounting period.

Balances

The balances of the Council represent the accumulated surplus of income over expenditure on any of the funds.

Capital Adjustment Account

The Account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (e.g. Disabled Facilities Grants). The balance on this account thus represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Expenditure

This is expenditure on the acquisition of a non-current asset (fixed asset), or expenditure, which adds to, and not merely maintains, the value of an existing non-current asset.

Capital Receipts

Income received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

Carrying Amount

The Balance Sheet value recorded of either an asset or a liability.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the financial year.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the leading professional accountancy body for public services

Collection Fund

A fund administered by the Council showing the transactions of the billing authority (South Holland) in relation to the collection from taxpayers and the distribution to local authorities and the Government of council tax and non-domestic rates.

Community Assets

These are non-current assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

Contingent Liabilities or Assets

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

Council Tax

This is one of the main sources of local taxation to local authorities. Council tax is levied on households within its area by the billing authority (South Holland) and the proceeds are paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.

Council Tax Requirement

This is the estimated revenue expenditure on General Fund services that is required to be financed from council tax after deducting income from fees and charges, certain specific grants and any funding from reserves,

Creditors

Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the Balance Sheet date.

Current Service Cost

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

Curtailment

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

Debtors

These are sums of money due to the Council that have not been received at the Balance Sheet date.

Deferred Capital Receipts

These represent capital income still to be received after disposals have taken place.

Defined Benefit Scheme

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Department for Communities and Local Government (CLG)

The CLG is a key Department within Central Government with the overriding responsibility for determining the allocation of general resources to local authorities.

Depreciation

This is the measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed (non-current) asset.

Earmarked Reserves

The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Accounts are authorised for issue.

Exceptional Items

Material items deriving from events or transactions that fall within the ordinary activities of the Council but which need to be disclosed separately by virtue of their size and/or incidence, to give fair presentation of the accounts.

External Audit

The independent examination of the Council's activities and accounts to ensure that the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure value for money in its use of resources.

Expenditure

This is amounts paid by the Council for goods and services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment since expenditure is deemed to have been incurred once the goods or services have been received even if they have not been paid for.

Fair Value

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

Finance Lease

A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes Investments, trade receivables and trade payables.

General Fund

This is the main revenue fund of the Council and includes the net cost of all services financed by local taxpayers and Government Grants.

Heritage Assets

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Housing Revenue Account

Local authorities are required to maintain a separate account – the Housing Revenue Account – which sets out the expenditure and income arising from the provision of Council housing. Other services are charged to the General Fund.

Impairment

A reduction in the value of a fixed asset to below its carrying amount on the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

Income

These are amounts due to the Council for goods supplied or services rendered of either a capital or a revenue nature. This does not necessarily involve a cash payment. Income is deemed to have been earned once the goods or the services have been supplied even if the payment hasn't been received (in which case the recipient is a debtor to the Council).

Infrastructure Assets

Fixed assets belonging to the Council that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

Intangible Assets

These are assets that do not have physical substance but are identifiable and controlled by the Council. Examples include Software Licenses.

Internal Borrowing

The use of internal cash balances to pay for the unfinanced element of capital expenditure rather than taking on additional external borrowing.

International Financial Reporting Standards

These are defined Accounting Standards that must be applied by all reporting entities to all Financial Statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with Financial Statements of other entities.

Joint Operation

A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Liabilities

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current Liabilities are usually payable within one year of the Balance Sheet date.

Materiality

The concept that the Accounts should include all amounts which, if omitted or mis-stated, could be expected to lead to a distortion of the Financial Statements and ultimately mislead a user of the accounts.

National Non-Domestic Rates (Business Rates)

This is one of the main sources of local taxation to local authorities. NNDR is the levy on business property, based on a national rate in the pound applied to the rateable value of the property.

Net Book Value (NBV)

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

Net Debt

Net debt is the Council's borrowings less cash and liquid resources.

Net Realisable Value (NRV)

NRV is the open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

Non-Current Assets Fixed Assets)

Assets that yield benefits to the Council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

Non-Operational Assets

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

Operational Assets

Fixed assets held and occupied, used or consumed by the Council in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Operational Boundary

This reflects the maximum anticipated level of external debt consistent with budgets and forecast cash flows.

Operating Lease

This is a type of lease usually for computer equipment or office furniture and equipment where the balance of risks and rewards of holding assets remains with the lessor. The assets remain the property of the lessor and the lease costs are revenue expenditure to the Council.

Precept

The amount levied by various authorities that is collected by the Council on their behalf. The precepting authorities in South Holland are Lincolnshire County Council and the Police and Crime Commissioner for Lincolnshire.

Prior Year Adjustment

These are material adjustments which are applicable to an earlier accounting period arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provision

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

Public Works Loan Board (PWLB)

A Central Government Agency which provides loans, for one year and above, to Councils at interest rates only slightly higher than those at which the government can borrow itself.

Related Parties

Related parties are Central Government, other Local Councils, precepting and levying bodies, subsidiary and associated companies. Related parties are deemed to include the Council's elected members, the Chief Executive and its Directors. For individuals identified as related parties, the following are also presumed to be related parties:-

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual or member of their close family or the same household has a controlling interest.

Remuneration

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

Reserves

The accumulation of surpluses, deficits and appropriations arising from previous financial years. Reserves can either be usable; that is, available to meet the Council's future expenditure plans and unusable; that is, those maintained purely for accounting purposes.

Revaluation Reserve

The Reserve records the accumulated gains on the fixed assets held by the Council arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

Revenue Expenditure

Expenditure incurred on the day-to-day running of the Council. This mainly includes employee costs, general running expenses and capital financing costs.

Revenue Expenditure Funded From Capital under Statute (REFCUS)

Expenditure incurred in year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the Comprehensive Income and Expenditure Statement.

Revenue Support Grant

A grant paid by Central Government towards the cost of providing General Fund services.

Service Potential

Future benefits that an asset is expected to bring to the Council.

Treasury Management

This is the process by which the Council controls its cash flow and its borrowing and lending activities.

Treasury Management Strategy

A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.