

BOSTON BOROUGH COUNCIL

FINANCIAL REPORT 2017/18

Paul Julian, Chief Finance Officer (Section 151 Officer)

Contents	Page
Narrative Report	3 - 12
Annual Governance Statement	13 - 19
Independent Auditor's Report	20 - 22
Statement of Accounts:	
Statement of Responsibilities for the Statement of Accounts	24
Expenditure and Funding Analysis	25
Comprehensive Income and Expenditure Statement	26
Movement in Reserves Statement	27
Balance Sheet	28
Cash Flow Statement	29
Notes to the Accounts	30 - 67
The Collection Fund	68 - 70

Narrative Report

Welcome to the Statement of Accounts – Paul Julian, Chief Finance Officer

A short introduction to Boston

The town of Boston has a rich heritage dating from the middle ages with an interesting and varied history.

Boston Borough Council is one of seven district Local Authorities in Lincolnshire. It lies in the south-east of the county and covers an area of approximately 141 square miles. The Borough shares its borders with East Lindsey, North Kesteven and South Holland District Councils, and the Wash to the East. The Borough has both town and rural wards, with agriculture and associated food processing being two of the most prominent industries.

Key Facts about Boston

The profile of the local population dictates the direction and substance of the services provided by the Council. As a predominantly rural District its range of services is that typically provided in these areas – alongside the statutory delivery of planning, housing and regulatory functions including waste collection the council is the billing authority for its area. It also provides leisure and community services.

Population

The Office for National Statistics' latest figures, published for 2016, estimated there to be 67,700 residents and 29,189 households in the Borough. The population shows an increase of 14.6% over the 2008 position, with significant increases in the number of people due to the arrival of migrant workers from European Countries, seeking employment mainly in agriculture and food processing.

Economy

According to the most recent Government Index of Multiple Deprivation (2015) Boston Borough is ranked as the 66th most deprived council area in England. Census 2011 figures indicate that Boston had the highest percentage of non British EU passport holders outside of London at 12.1%, reflecting the major population changes and their social impacts in recent years.

The unprecedented growth and change in population within Boston has had numerous consequences, bringing an increase in the demand for public services, education, health, policing and council services, all of which have created challenges for local service providers in how best to respond to the needs of residents. Rural Services Network analysis shows that Boston has the lowest average wages in Lincolnshire reflecting the main employment industries (food production, processing and packaging).

Statistical analysis of the population from the 2011 census indicates that 11,362 of the population were aged between 0-15 years representing 17.6% of the total population; 40,533 were aged between 16-64 years, 62.7%; and 12,742 were aged 65 years and over, comprising 19.7%.

Further statistical information on the profile of the area and its comparison to others in Lincolnshire can be found on the Lincolnshire Research Observatory website, see www.research-lincs.org.uk/area-profiles.aspx

Political Structure in the 2017/18 Year

Boston has 15 electoral wards and the Council consists of 30 councillors. All councillors are elected for a four-year term at the same time, the most recent election being in 2015. The political make up of the Council at the end of the year was:

Party	Number
Conservative	16
UK Independence Party	6
Independent	4
Bostonian Independent Group	4

The Council has adopted the Leader and Cabinet model as its political management structure. 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. The decision-making system is made up of a Cabinet, two Scrutiny Committees, Planning Committee, Licensing Committee and the Audit and Governance Committee as well as full Council. The Scrutiny Committees hold the Cabinet to account and monitor progress of key policies and strategies.

The Council's Corporate Plan

One of the key strategic documents that frames the actions of the Council is the Council's Corporate Plan. This is a working document that exists to help Councillors, staff and partners work together to deliver the vision for Boston.

The Council is currently operating in an environment where resources are continually shrinking as Government funds are withdrawn, and the council has to continually find new ways to generate income to support core services as well as reduce its operating costs. The main priority for the way the council does business is therefore to operate within its means. It continues to look closely at what really matters to the citizens of Boston and focus resources accordingly. Staff continue to respond positively to these challenges and will continue to be supported to enable them to work flexibly and develop their skills in those priority areas.

The Council Plan was reviewed and revised during 2016/17, and contains four priorities:

1. Prosperity – a strong economy which is growing which will generate more and better job opportunities and will attract people and businesses to the area.
2. People – support and protect all vulnerable people within our borough.
3. Place – Boston is a very safe place to live and this is reflected in low crime rates and open, rural environment and historic market town which offers a quality way of life for residents.
4. Public service – the council has a key role to play in the local area to provide essential services and operate within the current financial context.

The full document can be found at www.boston.gov.uk/CHttpHandler.ashx?id=19225&p=0

WHO WORKS FOR THE COUNCIL?

Management Structure

Supporting the work of Councillors is the organisational structure of the Council headed by the Corporate Management Team, led by the Chief Executive Phil Drury.

During 2017/18 the Corporate Management Team comprised the Chief Executive, two Directors and five Heads of Service see www.boston.gov.uk/index.aspx?articleid=4537

The Corporate Management Team is responsible for the delivery of the Council's services, directing improvements and future plans for Boston. It provides managerial leadership and supports Councillors in:

- Developing strategies;
- Identifying and planning resources;
- Delivering plans; and
- Reviewing the Council's effectiveness with the overall objective of providing excellent cost-effective services to the public.

Council Employees

At the start of April 2017 the Council employed 297 people. By March 2018 this was 295, therefore largely static although there were a number of seasonal workers employed through the summer season. Included in these numbers are a number of apprentices in a wide variety of roles. From April 2017, Boston Borough Council pays an apprenticeship levy to the Government. The levy is 0.5% of the Council's total pay bill and is used to pay for apprenticeship training, against approved apprenticeship standards, for both new recruits and for existing Council employees.

THE COUNCIL'S PERFORMANCE

Achievements 2017/18

Over the last year we have made progress towards our vision of "*Boston – open for business*":

- The green light was given for the £100 million Boston Barrier which will protect more than 14,000 properties from tidal flooding
- The award of funding from the Marginal Viability Fund of £3.5m to assist the progress of the Quadrant development
- The successful award of £1.4m from the Government's Controlling Migration Fund, recognising the impacts of the large number of people coming to the town in recent years
- Over 150 affordable homes were built in the year, bringing the total to 456 since 2012/13
- The garden waste scheme continued to be successful
- The creation of ThinkBostonUK and VisitBostonUK websites to help attract businesses and tourists to the area
- The retention of Boston's gold status in the East Midlands in Bloom competition
- The annual Big Boston Clean Up – volunteers collected 3.8 tonnes of rubbish to keep the streets clean
- A new range of town centre events were introduced - 1940s day, outdoor cinema and beach days in Central Park, celebration of farming event in the Market Place, afternoon tea in the Guildhall
- An expanded town centre maintenance team, funded by the Boston Town Area Committee

Financial Performance

Boston Borough Council is responsible for managing cashflows and assets of over £50 million.

The Council:

- Collects almost £20m of business rates, with 50% passed onto central government and 10% onto Lincolnshire County Council; the Borough Council retains 15% (£3m) following the payment of the tariff to the government and other adjustments
- Collects £30m in council Tax, with the majority being collected on behalf of the major precepting bodies - Lincolnshire County Council (£21.5m) and the Lincolnshire Police and Crime Commissioner (£3.8m).
- Holds £41m of long-term assets comprising £36m of operational and heritage assets for delivering services, £4m of investment property and £1m of long term investments.
- Actively manages its investment portfolio, generating £115,000 investment income.
- Generates almost £31m of fees, charges and grants used to deliver services and keep council tax down.

For a full list of performance indicators please see quarter 4 performance report on the Council’s website.

ASSET OVERVIEW

(figures in £000)

	TOTAL ASSETS BROUGHT FORWARD 54,987		
+	ACQUISITIONS / ADDITIONS 1,679	ADJUSTMENTS / DISPOSALS 2,006	REVALUATIONS 291
=	TOTAL ASSETS CARRIED FORWARD 58,963		

Broken down as:

PROPERTY, PLANT & EQUIPMENT 27,431	INVESTMENT PROPERTY 4,029	OTHER LONG TERM ASSETS 1,243	HERITAGE ASSETS 7,953	CURRENT ASSETS 18,307
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REVENUE CASH FLOWS

For day to day items, the Council receives money from various sources; the focus of this section is to look at where the money comes from and how it is spent. Income comes primarily from central government in the form of revenue support and grants, from local businesses through a proportion of their business rates, and from local residents in the form of Council Tax and fees and charges for services. Each year the Council spends its money on key services set in accordance with its local priorities, as well as some services that it is required to provide by law. Net revenue expenditure for the year, taking into account movements into earmarked reserves and provisions, was contained within the budget. During the year officers made continuous efforts to constrain expenditure and maintain the delivery of services, bearing in mind the ongoing reductions in government grant support and various other economic pressures (both at local and national levels). This led to decisions being taken to provide resources to, or utilise existing reserves, to meet the following future key risks:

- The delivery of the Transformation Programme, the primary mechanism by which the Council will balance future budgets and continue to provide good quality, value for money services;
- The requirement to be able to fund future capital asset replacement;
- The need for ongoing repairs and maintenance to property, plant and equipment;
- The delivery of the Council's Housing Strategy; and
- The need to ensure that the Council's information technology infrastructure and equipment is able to facilitate the delivery of modern services.

Earmarked reserves increased by £1.891m, from £6.850m to £8.741m, mainly as a result of the receipt of Controlling Migration Fund monies that will be spent during 2018/19 (see Note 10). There have also been increases in some reserves, notably Business rates and Capital, to provide funds to equalise future business rates volatility and helping deliver aspects of the Capital Strategy. By holding these reserves it puts the Council in a better position to withstand future financial pressures arising from the uncertainties inherent in the current and proposed funding regimes, including the amount of business rates the Council is able to retain.

In common with the rest of local government, the Council has seen a steady reduction in its core funding in recent years, putting increasing pressure on the services it is able to deliver.

Against this background, the Council continues to rise to the financial challenges facing it through:

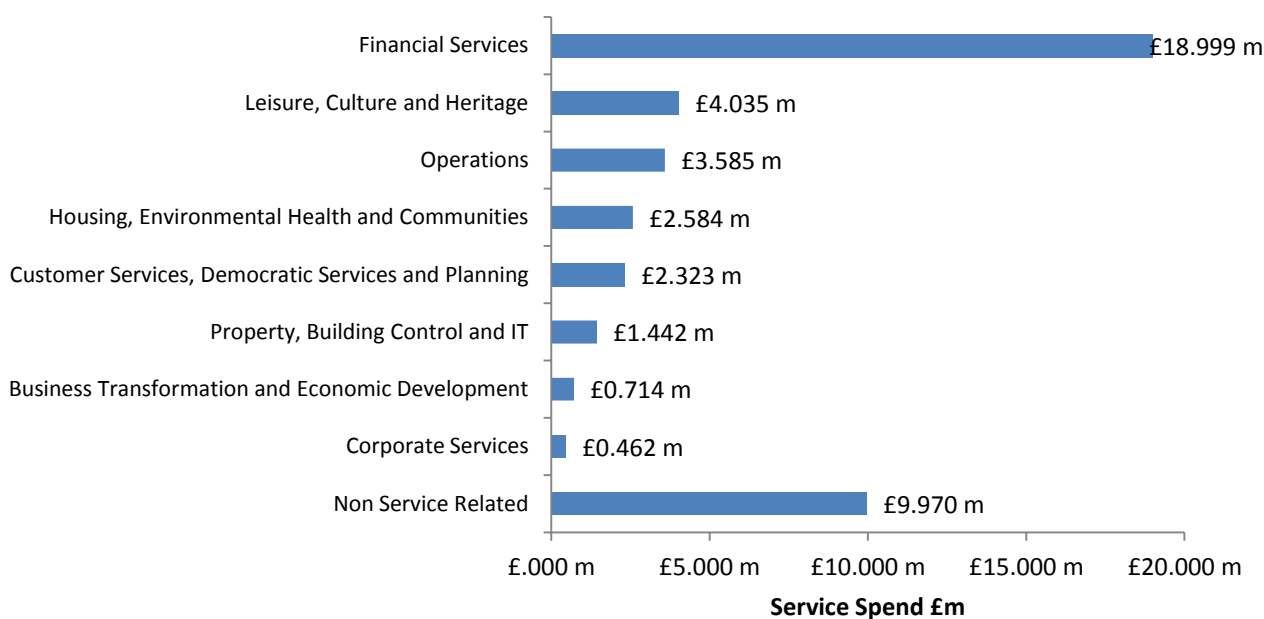
- Sound financial stewardship and
- Innovative approaches to service delivery and support functions via the Transformation Programme

The majority of savings for 2018/19 have been found from transformation programme efficiencies and income with no cuts to service delivery, enabling a balanced budget to be approved for the coming year.

Council spending in 2017/18

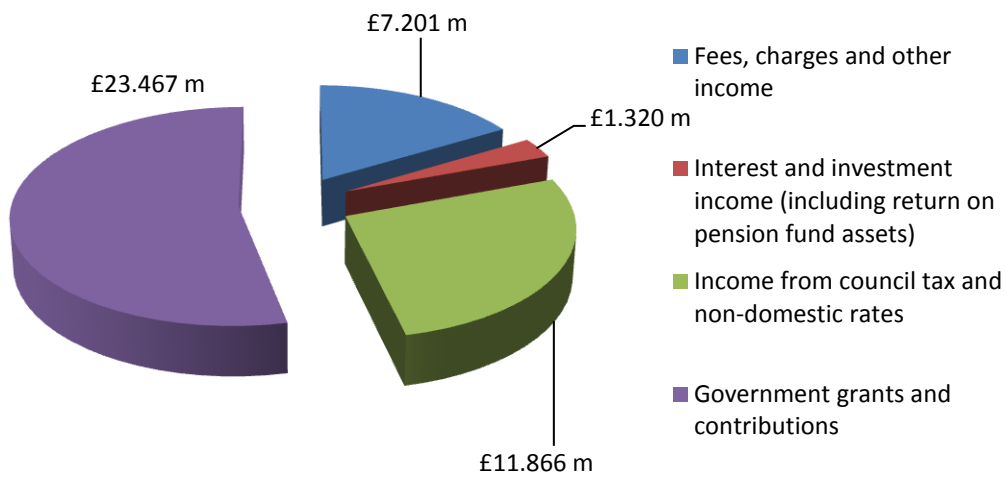
Council spending by department was within budget and reflects sound financial management and budgetary control. The graphs below show where we get our money from, and how it is spent on behalf of the Borough's residents and service users.

What services the money was spent on -



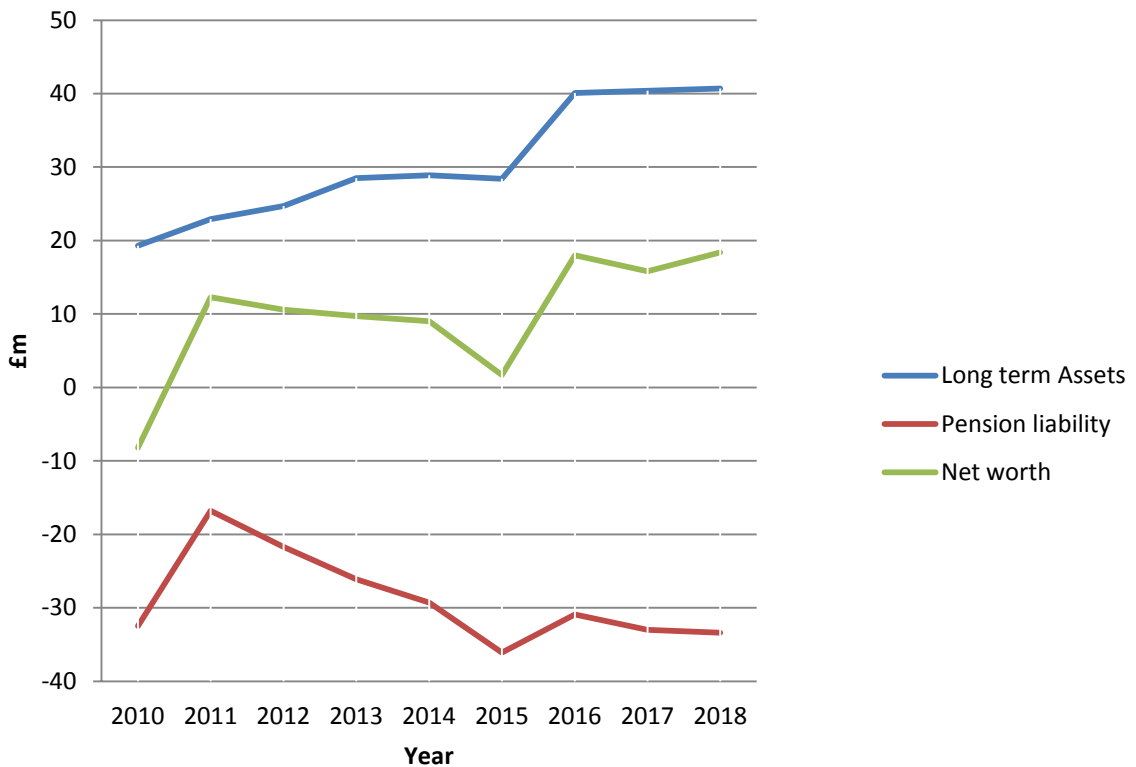
Financial Services includes the administration of Housing Benefits. The Council paid in approximately £17m in rent allowances to private tenants/landlords during 2017/18.

Where the money comes from –



FINANCIAL POSITION

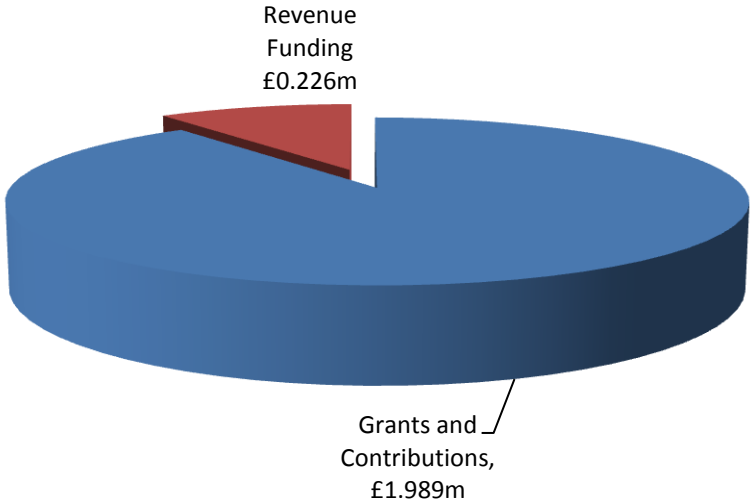
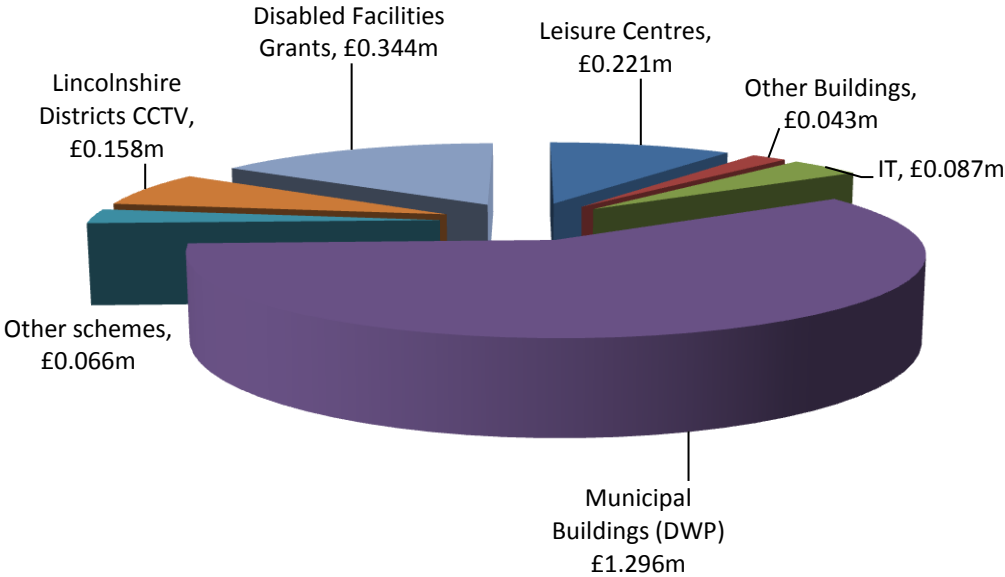
The Balance Sheet shows the amounts held, owed to, and owed by the Council at 31 March each year. Values are arrived at in a number of ways, in accordance with the Council's accounting policies. As this exercise is carried out each year, the position over a longer period is not always obvious. The chart below shows how the higher value components of the Balance Sheet, namely Long Term Assets and the Pensions Liability, have affected the Council's overall net worth since the introduction of International Financial Reporting Standards. Further details on the specific issues that have affected the components are included in the relevant year's Accounts.



CAPITAL

Given the Council’s financial position and the future outlook, the Capital programme is prepared to ensure that it is sustainable into the medium term and, wherever possible, supports the ongoing reduction of revenue costs through invest to save initiatives. In 2017/18 the Council spent £2.215m. The main project spend was on remodelling the municipal buildings to accommodate the move of the Department of Work and Pensions in April 2018.

Capital Expenditure and associated financing in 2017/18 was as follows:



Non-Financial Performance of the Council 2017/18

Achievements

Although times are challenging for Boston Borough Council and the Local Government sector as a whole it is important to consider significant positive outcomes in the Borough and the Council's key achievements over the past twelve months. Once again, the overriding issue for the Council in the year was the requirement to set a balanced budget with services providing better value for money, combined with an affordable capital programme.

Key areas that the Council improved during 2017/18 include:

- Working with 3GS to improve environmental crime enforcement resulting in 831 fixed penalty notices being issued in 2017/18
- 157 affordable homes delivered (target 75) and 82 empty properties returned to occupation (target 60)
- 98.3% of food businesses were broadly compliant with food safety law (i.e. rated 3 or higher under the National Food Hygiene Rating Scheme) compared to a national average of 89%
- 162,963 swim sessions at Geoff Moulder Leisure Centre (target 155,000)

For more information about the Council's performance please see our performance web page at www.boston.gov.uk/performance

The pressures on the finances of the Council are set to continue into the foreseeable future as government funding cuts are applied to future years' budgets, and the funding regime is amended. As in previous years, the regular quarterly budget monitoring process reported to Cabinet and Council updated members on projected actual spend against the approved 2017/18 budget, and can be viewed at the Council's website.

Measures of the successful achievement of these objectives include the actual spending position for the year compared to the budget, excellent processing times for housing benefit and council tax support, the number of food inspections undertaken, supporting the level of earmarked reserves, and increasing the General Fund balance to help facilitate transformation opportunities and provide mitigation against future financial risks.

There are significant challenges facing the Council, and both members and officers are determined to meet them through the existing Transformation Programme and new projects currently in development.

Risk and Opportunities

Future Challenges

The Council, in line with the majority of councils across the country, continues to face significant financial challenges as it responds to the Government's efforts to balance the national public finances. The future funding regime for councils is also set to change, with the announcement by the government that, by 2020, councils will be able to retain 75% of business rates generated locally. Whilst this may seem a positive move, the details of the new arrangement are yet to be agreed, and there will inevitably be winners and losers at the local level.

Although the Council has made improvements, there continue to be further significant challenges and opportunities that the Council will need to embrace if it is to maintain effective service provision:

Meeting the financial challenge of having a sustainable Medium Term Financial Strategy

In order to help provide a buffer against reduced and changing government funding streams and certainties, provide funding to invest in future savings initiatives, and mitigate some of the risks that face the Council, this year the Council has contributed to its earmarked reserves. It is critical though that savings from the Transformation Programme are realised and close monitoring continues on trading income and other significant areas where there is volatility. The wider economic situation, the new government's agenda, and limits on the amount of future Council Tax increases, all impact on the scale of the task needed to ensure that the Council's medium term financial plan is viable and achievable. The adaption of the Local Plan will enable future development to support economic growth.

Changes to Local Government funding and the impact of Welfare Reform

The proposal to allow councils to retain 75% of business rates locally by 2020 will present challenges to the Council, particularly as a significant proportion of Boston's local business is linked to the agricultural sector which is exempt from business rates. Also, changes to council tax support in 2013 required the Council to introduce a local scheme that allows it to operate within a reduced funding regime from the government. As with the business rate changes, there are both incentives and risks for the Council that will require regular vigilant monitoring, to ensure that the Council's finances are not adversely affected. Rollout of Universal Credit is set to take place during 2018/19, and this will have further impacts on the Council in the coming years.

These changes have had, and will have, significant impacts on the way that the Council prepares its budgets, as some funding streams will no longer be guaranteed, and the volume and make-up of council tax support cases will affect the overall budgetary position. Budget estimates have taken potential volatility into account, and close regular monitoring is being undertaken to ensure that projections remain appropriate.

Focusing on areas of poorer performance

Whilst we look to continue good performance where it already exists, improvement areas have been identified, despite the challenges of reducing funds. Service and work plans are used to set targets and identify specific works to be undertaken, including further joint working with neighbours to realise savings where possible.

Pension contributions

Whilst the scale of the projected pension deficit is significant, statutory arrangements are in place that should ensure that the financial position of the Council remains healthy into the future. A number of national reforms have been, and are being, introduced, with the intention of reducing the funding gap.

Summary Position

The Council has maintained the progress made in recent years to improve the services it provides to residents, customers and visitors. Along with many other organisations however, particularly in the public sector, the Council has dealt with, and continues to deal with, a number of significant financial challenges –

- Effects of the wider national and international economic situation;
- Likely removal of the majority of direct central government funding;
- Increased demand for services; and
- The ongoing impact of Welfare Reform changes.

The Council has responded by developing a culture of careful budgeting and financial management, and the implementation of several strategic and operational initiatives. This has enabled the Council to increase its General Fund balance this year, and invest in infrastructure and services within the Borough. At 31 March 2018 the Council held £8.741m in Earmarked Reserves which will help allow it to deliver further necessary changes in the future to ensure that service delivery is efficient and effective within the overall environment of reducing resources.

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 2018. 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 2017/18, which in turn is underpinned by International Financial Reporting Standards;

- **Expenditure and Funding Analysis** - shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned by it in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services;
- **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 "useable", which can be invested in capital projects or services improvements, and "unusable" which must be set aside for specific purposes;

- **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 focussed on local priorities and needs.
- **Balance Sheet** is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the year-end date;
- **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;
- **Notes to the Accounts** – these provide further details on some of the figures included in the Accounts.

Supplementary Financial Statements

- **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.

Further Information

Further information about the Statement of Accounts is available from the Financial Services section at the Council Offices, West Street, Boston, Lincolnshire PE21 8QR, telephone 01205 314200 or e-mail: Finance@boston.gov.uk. In addition, members of the public have a statutory right to inspect the accounts before the annual audit is completed. The availability of the accounts for inspection is advertised in the local press and on our website at www.boston.gov.uk.



Paul Julian, Chief Finance Officer

23 July 2018

Annual Governance Statement

1. Executive Summary

Boston Borough Council is committed to the highest standards of governance. We are responsible for ensuring that we have proper arrangements in place for governing the organisation (including a system of internal control) and for effective service delivery.

Each year we are required to produce an Annual Governance Statement (AGS) which describes how our corporate governance arrangements have been working. To help us to do this, the Council's Corporate Management Team (CMT) and Audit & Governance Committee (AGC) undertake a review of our governance framework and the development of the AGS.

Timeline:

- March 2018: Initial review and challenge by CMT and AGC
- May 2018: Draft signed off by CMT and AGC
- July 2018: Final AGS agreed as part of the audited financial report for 2017/18 signed by the Leader and Chief Executive

Significant Governance Issues:

Overall, we can confirm that we are satisfied that we have effective arrangements in place for the governance of Boston Borough Council and that we have a robust system of internal control which is fit for purpose. No significant gaps have been identified.

Whilst we are satisfied that these generally work well, our review has identified some areas to be reviewed during 2018/19 as set out in the table below.

Key area	Lead officer	To be delivered by
Change of external auditor	Paul Julian	August 2018
Implementation of General Data Protection Regulations (GDPR)	Michelle Sacks	March 2019
Review of codes of conduct for officers and members	Michelle Sacks	May 2018

These actions will be recorded in service plans for 2018/19 and reported back in the next annual review. Where issues are not significant but related actions and/or projects are planned, these will also be recorded in service plans and reported as usual as part of the quarterly monitoring arrangements.

Progress made relating to the governance issues identified in last year's AGS is set out in section 6. This shows that significant progress has been made in relation to contracts, scrutiny and data protection.

2. What is Corporate Governance?

Corporate Governance is about how the Council ensures it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It is made up of the systems and processes, cultures and values by which the Council is directed and controlled.

We have adopted a local Code of Corporate Governance based on the Governance Framework developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (Solace) – “Delivering Good Governance”. This was adopted by full Council on 15 May 2017 and is available on our website at www.boston.gov.uk/governance.

Principle A: Integrity & ethics	Principle B: Openness & engagement	Principle C: Sustainable outcomes
How we do this:	How we do this:	How we do this:
Constitution and codes of conduct Member and management structures in place; clear roles and responsibilities e.g. CMT, Head of Paid Service, Section 151 Officer, Monitoring Officer, AGC Systems and procedures e.g. fraud, disciplinary, non-conformance, whistleblowing Communication of shared values	Forward plan of key decisions Communication via bulletins, press releases, web and social media, specific promotional campaigns Publication of live and planned consultations and results and outcomes for the last 3 years Feedback encouraged and lessons learned shared	Corporate Plan setting out our vision and corporate priorities Effective annual service planning arrangements in place with quarterly monitoring and reporting Transformation Programme with quarterly reporting to Transformation Board Effective contract and asset management arrangements in place

Principle D: Interventions	Principle E: Capacity	Principle F: Risk & performance	Principle G: Transparency
How we do this:	How we do this:	How we do this:	How we do this:
Scrutiny and decision making Committee report template Systems and procedures e.g. equality, project management, service planning Social value in Contract Procedure Rules	Councillor Development Charter awarded by East Midlands Councils (EMC) Learning and development plans Induction Efficient systems and technology	Effective risk, performance and financial arrangements AGC, external and internal audit Compliance with audit, finance and fraud requirements Information management	Publication of transparency information Publication Scheme Freedom of Information Committee reports and information published online Open and transparent decision making

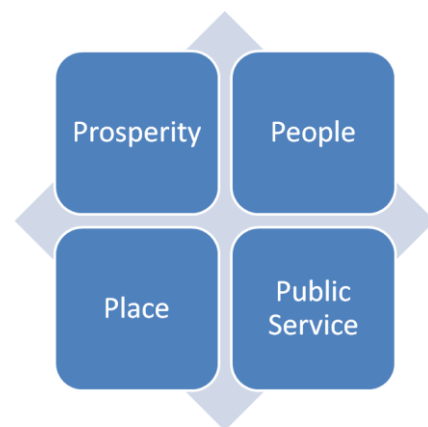
Each year we are required to assess compliance against the Framework and the Code of Corporate Governance in the Annual Governance Statement (AGS). Once approved, this becomes part of the Statement of Accounts and is also published on our website as above for full transparency and accountability.

3. The Council – how it works

The Council's vision is set out in the 'Council Plan 2016/17 to 2019/20: Boston – Open for Business'.

It sets out how we will continue to seek out new ways to promote prosperity, make Boston borough a safe and pleasant place to live, sustain services and protect and support the most vulnerable while continuing to meet the challenges set by Government.

This is available online at www.boston.gov.uk/corporateplan



Leadership and decision making

- The Council is responsible for the adoption of the budget and policy framework
- Cabinet is responsible for its implementation
- The two Scrutiny Committees (Community & Corporate Committee and Environment & Performance Committee) hold Cabinet to account
- The AGC has particular responsibility for finance and governance
- The Chief Executive is Head of Paid Service and is responsible for all staff and for leading CMT
- The Section 151 Officer is responsible for safeguarding the Council's financial position and securing value for money
- Compliance with the CIPFA (The Chartered Institute of Public Finance and Accountancy) Statement on the role of the Chief Financial Officer.
- The Monitoring Officer is responsible for ensuring legality, good governance and promoting high standards of conduct
- Resources are directed in accordance with agreed policy and according to the priorities set out in the Corporate Plan and service plans
- There is clear accountability for the use of those resources in order to achieve desired outcomes for service users and the local community
- Decision making is sound and inclusive, with decisions published on the Council's website

Risk management and assurance

- Strategic, operational and project risks are identified, monitored and reported
- Internal audit reports and the Assurance Statement are presented to AGC and published
- External audit reports and Use of Resources judgement also presented to AGC and published
- Local Government Ombudsman (LGO) report published annually and included in quarterly reporting
- External accreditation e.g. Member Development Charter

4. Outcomes and value for money

Outcomes:

Areas of success / improvement in Q3 2017/18

- Planning performance continues to be better than target.
- The number of non-local authority owned empty properties returned into occupation is better than target (actual 70 against a target of 45).
- Benefit and Council Tax Support (CTS) processing times are consistently better than target.
- 97.6% of food businesses are 'broadly compliant' with hygiene legislation (i.e. rated 3, 4 or 5) against a target of 95%.
- Swim sessions at Geoff Moulder Leisure Centre (GMLC) are better than target (actual 126,445 against a target of 116,250).
- There has been a 42.8% reduction in CO2e (carbon dioxide equivalent) compared to a target of 28%. This is due to the introduction of biomass at GMLC and Princess Royal Sports Arena (PRSA) which has resulted in a reduction of gas and electricity used.
- Average time taken to respond to information requests (Freedom of Information (FOI) and Environmental Information Regulations (EIR)) is better than target with an average of 5 working days against the statutory deadline of 20 working days. This is the same for Subject Access requests with an average response time of 30 days against the statutory deadline of 40 working days.
- Short-term sickness absence continues to be better than target.
- There has been a significant increase in the number of online payments – 26% increase compared to the same period last year.

Areas of concern / watching brief in Q3 2017/18

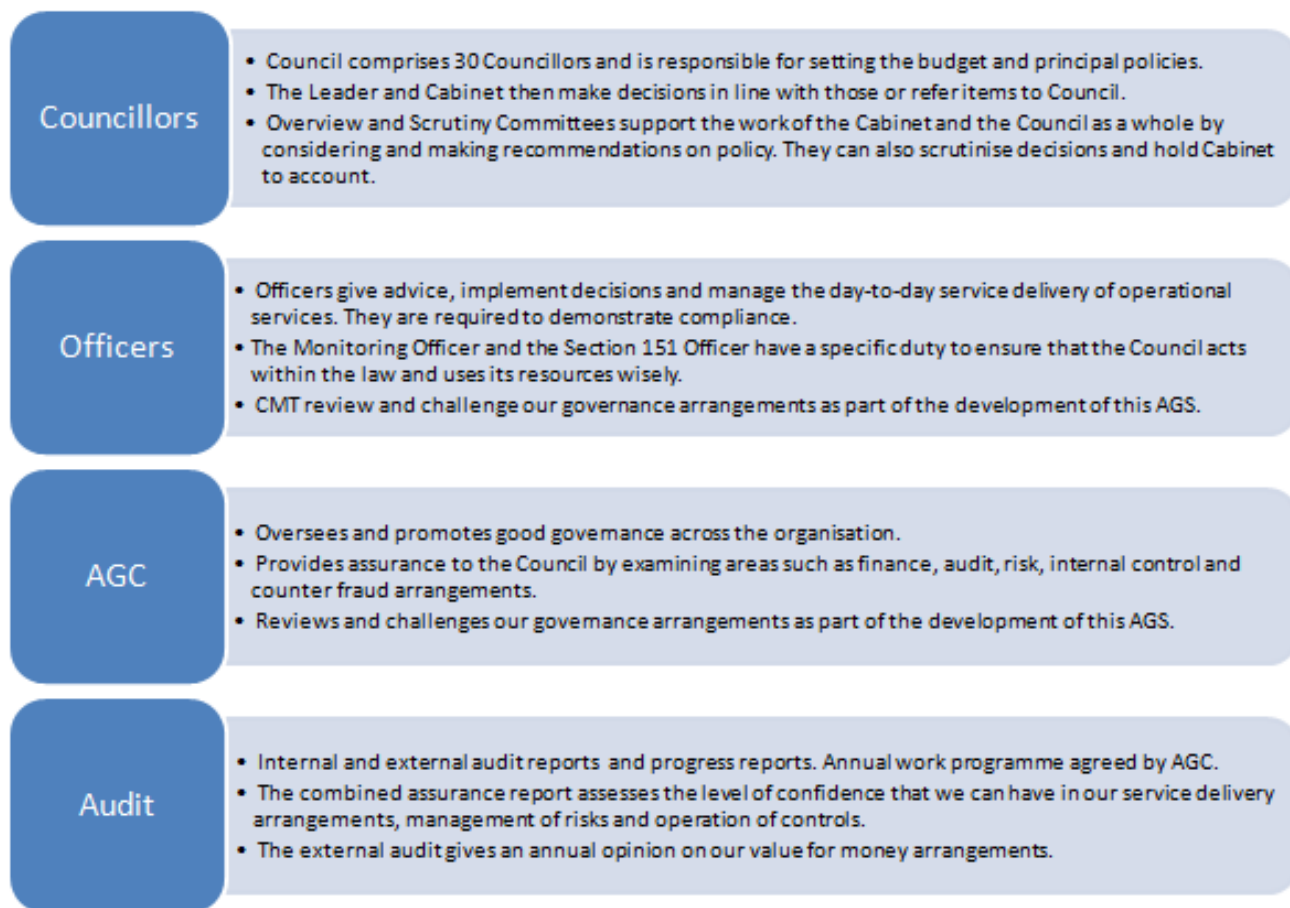
- Improved housing standards are slightly worse than target (72 against a target of 75) but this has not been a priority area of work this quarter.
- Household waste reused, recycled and composted is worse than target at 45.72% against a target of 47.49% which was the actual at the same time last year. There has been a decrease in recycling, related to contamination issues which are currently being addressed. There has also been an increase in residual waste, which reflects the countywide trend currently being investigated by the Local Waste Partnership (LWP).
- Long-term sickness absence is slightly worse than target at 4 days per person compared to the target of 3.75 days. This is due to a small number of cases which are being actively managed.

Summary of strategic risks: <http://moderngov.boston.gov.uk/documents/s4503/Quarter%203%20Risk%20Report.pdf>

Value for money (VFM):

The Annual Audit Letter 2017/18 was reported to AGC in November 2017. The Council's external auditors issued an unqualified opinion on the audit of the Council's 2016/17 financial statements. The VFM conclusion showed that the Council has sound arrangements in place; where it was slightly off-track in terms of savings, it had mitigation measures in place and the Council was in a good position to face future challenges.

5. How do we know our arrangements are working?



The Internal Audit Plan for 2018/19 was reported to AGC in January 2018. The summary of our overall assurance status shows that 88% of our critical services are green, 12% amber and 0% red.

Combined assurance report from internal audit:

<http://moderngov.boston.gov.uk/documents/s4514/Combined%20Assurance%20Status%20Report%20-%20February%202018.pdf>

Last year we carried out a detailed self-assessment based on the seven principles in the Governance Framework. Overall, the Council's governance arrangements were found to be fit for purpose. This was supported by the findings of a Corporate Governance internal audit. Specific changes and improvements are set out in the next section below. The following assurance is in place:

Compliance with:

- CIPFA codes and guidance capital finance, treasury management and management of reserves
- CIPFA Statement on the role of the Chief Financial Officer in Local Government (CIPFA 2015)
- CIPFA Statement on the Role of the Head of Internal Audit (2010)
- Code of Practice on Local Authority Accounting
- Code of practice Managing Risk of Fraud & Corruption (CIPFA 2014)
- Financial statements prepared in line with CIPFA guidance and best practice
- Internal Financial Reporting Standards (IFRS)
- Public Sector Internal Audit Standards

Roles and responsibilities:

- Annual Audit Letter – audit opinion and value for money conclusion
- Audit & Governance Committee – terms of reference and annual review of effectiveness
- Combined assurance report; management assurance
- Corporate Management Team
- Effective finance team
- Head of Paid Service
- Internal and External Audit
- Monitoring Officer
- Scrutiny Committees and call in
- Section 151 Officer

Policies and procedures

- Annual and quarterly reporting and service planning
- Anti Fraud and Corruption Policy
- Asset Management Plan
- Boston Borough Council website
- Budget consultation
- Bulletin, press releases, promotional campaigns
- Business cases / options appraisals
- Capital programme
- Committee reports online
- Constitution and codes of conduct
- Consultation
- Corporate Plan vision and priorities
- Data transparency
- Disciplinary and non conformance
- Effective working relationships
- Efficient systems and technology
- Equality Analysis
- Financial Regulations and Contract Procedure Rules
- Freedom of Information
- Information management and IT
- Learning and development plans
- Medium Term Financial Strategy, budget guidance and protocols
- Member Development Charter
- Open and transparent decision making
- Parish council partnership project
- People policies and recruitment
- Performance and risk management
- Publication Scheme and transparency data published
- Record of decision making
- Shared values
- Social value in Contract Procedure Rules
- Transformation Programme
- Website and social media
- Whistleblowing Policy

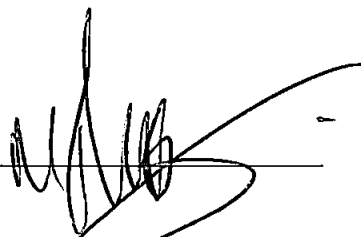
6. Looking back on 2017/18

Action	Lead officer	Progress
To review contract monitoring arrangements	Suzanne Rolfe	There have been significant improvements in contract monitoring with regular reviews by CMT, Service Managers Group (SMG) and as part of service planning. Tony Hague is leading a session with SMG in April 2018 and even further work is planned as part of preparations for GDPR (see below).
To implement the actions identified following scrutiny training	Phil Drury	Both Scrutiny Committees have reviewed their work programmes in light of the training. Inquiry Days have been held on feedback and the civic review. Member Briefings have been held on key topics. The Prosperous Boston Task and Finish Group (TFG) reported in October 2017 and a follow up TFG was established to look at Boston Market. Consideration is currently being given to create a Member Working Group to look at performance monitoring.
To plan for the implementation of the General Data Protection Regulation (GDPR)	Michelle Sacks	An update on Information Management was reported to Cabinet in June 2017. A Data Protection Officer (DPO) has been appointed and an information mapping exercise is currently underway to inform the necessary Record of Processing Activities (ROPA). An update report to scrutiny is scheduled in May 2018.

Other key changes and improvements that have happened since the last AGS:

- Freedom of Information responses are now published online on a quarterly basis, from April 2017.
- The Annual Fraud Performance Report was presented to AGC in May 2017.
 - The Anti Fraud and Corruption Policy and the Prosecutions & Sanctions Policy have been updated to reflect service changes and current best practice
 - An online training package has been introduced in respect of fraud, corruption and bribery and has been rolled out to staff and elected Members
 - Continued membership of the Lincolnshire County Fraud Partnership to minimise the risk of fraud and corruption
 - The Council has received £20,000 Right Benefit Initiative funding from the Department for Work & Pensions (DWP) to target the high risk housing benefit fraud
- The Annual Treasury Management Report was also presented to AGC in May 2017
- CMT are currently reviewing each of the strategic risks in detail in line with an internal audit recommendation made in July 2017.
- The Member Learning and Development Strategy was refreshed and adopted in October 2017.
- The Whistleblowing Policy was revised and adopted in November 2017.
- As at the end of December 2017, 75% of the internal audit plan had been delivered against the target of 75%.
- Civic Review recommendations agreed in February 2018.
- A parish council project is underway as part of the transformation programme to further improve partnership working and engagement at the local level
- A number of other policies and schemes have been revised and adopted:
 - Boston Choice Based Lettings Scheme – July 2017
 - CCTV Policy – July 2017
 - Boston's Health and Wellbeing Strategy 2017 to 2020 – September 2017
 - Public Spaces Protection Order extended for another 3 year period – September 2017
 - Locally Administered Business Rates Relief scheme discretionary policy – September 2017
 - Customer feedback policy; Vexatious, abusive / persistent customer policy; social media policy – September 2017
 - Equality Objectives and Equal Opportunities Policy – September 2017
 - Lincolnshire Homelessness Strategy – November 2017
 - Council Tax Support Scheme – January 2018
 - Service Level Agreement with 3GS on environmental crime enforcement extended by 12 months – February 2018.

Councillor Mike Cooper, Leader of the Council:



Phil Drury, Chief Executive:



Signed on behalf of Boston Borough Council



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOSTON BOROUGH COUNCIL
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

Opinion

We have audited the financial statements of Boston Borough Council ('the Authority') for the year ended 31 March 2018 which comprise the Authority Comprehensive Income and Expenditure Statement(s), the Authority Balance Sheet(s), the Authority Movement in Reserves Statement(s), the Authority Cash Flow Statement, the Collection Fund and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of the Authority's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information published with the financial statements

The Chief Financial Officer is responsible for the other information published with the financial statements, including the Narrative Report and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the financial statements.

Chief Financial Officer's responsibilities

As explained more fully in the statement set out on page 24, the Chief Financial Officer is responsible for: the preparation of the Authority'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 2017/18; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

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

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Boston Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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.

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. 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether Boston Borough 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 Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Boston Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Statutory reporting matters

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

- 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;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014;
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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.

CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the financial statements of Boston Borough 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

30th July 2018

STATEMENT OF ACCOUNTS

2017/18

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Chief Finance Officer
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Statement of Accounts, delegated to the Audit and Governance Committee.

CHIEF FINANCE OFFICER RESPONSIBILITIES

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

In preparing this Statement of Accounts, the Chief Finance 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;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Council will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

CERTIFICATE

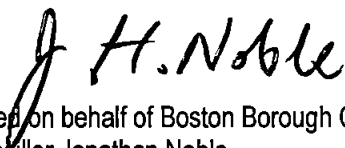
I hereby certify that the Statement of Accounts gives a 'true and fair' view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31 March 2018.



Paul Julian
Chief Finance Officer
23 July 2018

FORMAL APPROVAL

I confirm that the Statement of Accounts was approved by the Audit and Governance Committee at its meeting held on 23 July 2018.



Signed on behalf of Boston Borough Council
Councillor Jonathan Noble
Chairman of the Audit and Governance Committee
23 July 2018

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 the Council in comparison with those resources consumed or earned by it in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2016/17				2017/18		
Net Expenditure Chargeable to the General Fund 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 balance £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
777	145	922	Property, Building Control and IT	699	192	891
918	(354)	564	Financial Services including Housing Benefits payments and grants	718	167	885
758	69	827	Customer services, Democratic services and Planning	923	135	1,058
524	34	558	Business Transformation	574	46	620
889	974	1,863	Housing, Environmental Health and Communities	788	81	869
783	471	1,254	Operations	1,211	573	1,784
798	18	816	Corporate services	369	33	402
(501)	1,038	537	Leisure, Culture and Heritage	(76)	1,752	1,676
35	80	115	Economic Development	70	(62)	8
4,981	2,475	7,456	Net Cost of Services	5,276	2,917	8,193
(4,928)	(1,274)	(6,202)	Other Income and Expenditure	(7,717)	(216)	(7,933)
53	1,201	1,254	(Surplus) or Deficit	(2,441)	2,701	260
8,556			Opening General Fund Balance (including Earmarked Reserves)	8,503		
-			Opening Balance Boston Town Area Committee (BTAC)	83		
(53)			Surplus/ (deficit) on General Fund Balance in year	2,441		
8,503			Closing General Fund Balance, Earmarked Reserves and BTAC	11,027		

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. The Council raises taxation 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 in the Movement in Reserves Statement.

2016/17				2017/18		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
1,444	(522)	922	Property, Building Control and IT	1,442	(551)	891
20,255	(19,691)	564	Financial Services including Housing Benefits payments and grants	18,999	(18,114)	885
1,816	(989)	827	Customer services, Democratic services and Planning	2,323	(1,265)	1,058
571	(13)	558	Business Transformation	620	-	620
2,958	(1,095)	1,863	Housing, Environmental Health and Communities	2,584	(1,715)	869
3,116	(1,862)	1,254	Operations	3,585	(1,801)	1,784
850	(34)	816	Corporate services	462	(60)	402
2,785	(2,248)	537	Leisure, Culture and Heritage	4,035	(2,359)	1,676
201	(86)	115	Economic Development	94	(86)	8
33,996	(26,540)	7,456	Cost of Services	34,144	(25,951)	8,193
2,286	-	2,286	Other operating expenditure (Note 11)	2,211	(126)	2,085
1,737	(664)	1,073	Financing and investment income and expenditure (Note 12)	2,834	(1,601)	1,233
6,018	(15,579)	(9,561)	Taxation and non-specific grant income and expenditure (Note 13)	4,925	(16,176)	(11,251)
44,037	(42,783)	1,254	(Surplus) or Deficit on Provision of Services	44,114	(43,854)	260
		(18)	Boston Town Area Committee (Surplus) or Deficit			-
		2	Surplus or deficit on revaluation of property, plant and equipment			(1,351)
		(43)	Surplus on revaluation of available for sale financial assets			(68)
		1,016	Remeasurement of the net defined benefit liability			(1,367)
		957	Other Comprehensive Income and Expenditure			(2,786)
		2,211	Total Comprehensive Income and Expenditure			(2,526)

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 for the year. The Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments, but before discretionary transfers to or from earmarked reserves.

Balance at 31 March 2016	1,653	6,903	103	366	65	9,090	8,931	18,021
Movement in Reserves during 2016/17								
Total Comprehensive Income and Expenditure	(1,254)	-	-	-	18	(1,236)	(975)	(2,211)
Adjustments between accounting basis and funding basis under regulations (Note 9)	1,178	-	10	(19)	-	1,169	(1,169)	-
Increase or Decrease in 2016/17	(76)	-	10	(19)	18	(67)	(2,144)	(2,211)
Transfer to/from Earmarked Reserves	53	(53)	-	-	-	-	-	-
Other Movements	23	-	-	-	-	23	(23)	-
Balance at 31 March 2017 carried forward	1,653	6,850	113	347	83	9,046	6,764	15,810

	Fund £'000	Reserves £'000	Receipts Reserve £'000	Grants Unapplied £'000	Town Area Committee £'000	Usable Reserves £'000	Reserves £'000	Reserves £'000
Balance at 31 March 2017	1,653	6,850	113	347	83	9,046	6,764	15,810
Movement in Reserves during 2017/18								
Total Comprehensive Income and Expenditure	(260)	-	-	-	-	(260)	2,786	2,526
Adjustments between accounting basis and funding basis under regulations (Note 9)	2,701	-	126	421	-	3,248	(3,248)	-
Increase or Decrease in 2017/18	2,441	-	126	421	-	2,988	(462)	2,526
Transfer to/from Earmarked Reserves	(1,891)	1,891	-	-	-	-	-	-
Transfer to/from Other Reserves	(203)	-	-	-	203	-	-	-
Balance at 31 March 2018 carried forward	2,000	8,741	239	768	286	12,034	6,302	18,336

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 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 2017 * Restated £'000		Note	31 March 2018 £'000
27,879	Property, Plant and Equipment	14	27,431
8,020	Heritage Assets	15	7,953
3,281	Investment Property	16	4,029
78	Intangible Assets		49
1,043	Long-term Investments	17	1,111
120	Long Term Debtors		83
40,421	Long-term Assets		40,656
8,527	Short Term Investments	17	8,015
22	Inventories		17
3,688	Short Term Debtors	19	5,074
2,329	Cash and Cash Equivalents	20	5,201
14,566	Current Assets		18,307
(4,276)	Short Term Creditors	21	(4,248)
-	Cash and Cash Equivalents – Bank Overdraft	20	(580)
(883)	Provisions	22	(1,254)
-	Grants Receipts in Advance - Capital		(153)
(5,159)	Current Liabilities		(6,235)
(1,000)	Long Term Borrowing		(1,000)
(33,018)	Other Long Term Liabilities		(33,392)
(34,018)	Long-term Liabilities		(34,392)
15,810	Net Assets		18,336
(9,046)	Usable Reserves	23	(12,034)
(6,764)	Unusable Reserves	24	(6,302)
(15,810)	Total Reserves		(18,336)

* The restatement of the 31 March 2017 balances follows a review of the accounting treatment of the council's property fund holdings, resulting in their reclassification from Short Term to Long Term Investments.

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 (i.e. borrowing) to the Council.

2016/17 £'000		2017/18 £'000
1,254	Net (surplus) or deficit on the provision of services	260
(2,941)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 25)	(3,699)
600	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 25)	2,537
(1,087)	Net cash flows from Operating Activities	(902)
2,693	Investing Activities (Note 26)	(1,084)
380	Financing Activities (Note 27)	(306)
1,986	Net (increase) or decrease in cash and cash equivalents	(2,292)
(4,315)	Cash and cash equivalents at the beginning of the reporting period	(2,329)
(2,329)	Cash and cash equivalents at the end of the reporting period (Note 20)	(4,621)

1. ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which these regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

Accounting policies are defined in the Code "as the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements". The policies supporting the material transactions included in the financial statements were approved by the Audit and Governance Committee on 19 March 2018 and can be located on the Council's web-site.

<http://www.boston.gov.uk/CHttpHandler.ashx?id=23103&p=0>

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2018.

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 *Clarifications to IFRS 15 Revenue from Contracts with Customers*
- amendments to IAS 12 Income Taxes: Recognition to Deferred Tax Assets for Unrealised Losses
- amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.

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 material change to the reported information in the net cost of services or the Surplus or Deficit on the Provision of Services.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out at (<http://www.boston.gov.uk/CHttpHandler.ashx?id=23103&p=0>), the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is uncertainty about future levels of funding for local government notably issues around welfare reform, localisation of Business Rates and the upcoming review of the funding regime. Government have said that Councils will get to keep 75% 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 Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- One factor that has had a demonstrable impact in the past few 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 37 page 66, estimates the likely impact of changes to the assumptions used when reporting the pension liability.
- It is anticipated that no substantial legal claims or appeals will be made against the Council in the next financial year.

- No contracts exist with other bodies which need to be accounted for as a service concession or contain an embedded lease.

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

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

The items in the Council's Balance Sheet at 31 March 2018 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 (£33.392m at 31 March 2018) to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, Hymans Robertson LLP, is engaged to provide expert advice about the assumptions to be applied.

During 2017/18, the actuaries advised that the net pensions liability had increased by £0.374m. This is made up of:

- £1.367m actuarial gain
- £1.741m loss arising from employer contributions of £1.408m being less than the pension obligations of £3.149m.

Debt Impairment

Estimates for doubtful debts are an officer judgement based on prudent historical collection rates and taking into account knowledge of existing conditions in relation to outstanding debt; particularly given the current economic climate and future changes to welfare reform.

At 31 March 2018 the Council had a balance on housing benefit overpayments of £3.024m. Our review suggested that an impairment of doubtful debts of 83.33% (£2.520m) was appropriate; this being due to risks regarding the Council's ability to reclaim overpayments, in the future, once the responsibility for housing benefit is transferred to the Department for Work and Pensions.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

There are no such items in the 2017/18 Comprehensive Income and Expenditure Statement.

6. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 23 July 2018. 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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7a. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments between Funding and Accounting Basis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2016/17			
	Adjustments for Capital Purposes £'000	Net Change for Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Property, Building Control and IT	105	37	3	145
Financial Services	27	(379)	(2)	(354)
Customer services, Democratic services and Planning	-	69	-	69
Business Transformation	5	28	1	34
Housing, Environmental Health and Communities	860	102	12	974
Operations	360	107	4	471
Corporate services	1	20	(3)	18
Leisure, Culture and Heritage	961	71	6	1,038
Economic Development	76	3	1	80
Net Cost of Services	2,395	58	22	2,475
Other income and expenditure from the Expenditure and Funding Analysis	(1,773)	1,088	(589)	(1,274)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services//	622	1,146	(567)	1,201

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2017/18			
	Adjustments for Capital Purposes £'000	Net Change for Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Property, Building Control and IT	138	62	(8)	192
Financial Services	40	122	5	167
Customer services, Democratic services and Planning	-	129	6	135
Business Transformation	-	49	(3)	46
Housing, Environmental Health and Communities	(76)	169	(12)	81
Operations	361	208	4	573
Corporate services	1	27	5	33
Leisure, Culture and Heritage	1,624	133	(5)	1,752
Economic Development	(69)	6	1	(62)
Net Cost of Services	2,019	905	(7)	2,917
Other income and expenditure from the Expenditure and Funding Analysis	(1,418)	836	366	(216)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	601	1,741	359	2,701

Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, 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. This line also includes revaluation adjustments relating to Investment Properties.
- **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 IAS 19 Employee Benefits pension related expenditure and income:

- **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:

- **For Services** – the other differences column recognises adjustments to the General Fund 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 NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

7b. SEGMENTAL INCOME

Income received on a segmental basis is analysed below:

Property, Building Control and IT	Building Control	(164)	(166)
Customer services, Democratic services and Planning	Planning	(472)	(653)
Customer services, Democratic services and Planning	Land Charges	(105)	(100)
Customer services, Democratic services and Planning	Licensing	(138)	(129)
Operations	Garden Waste	(378)	(389)
Operations	Bereavement	(803)	(791)
Operations	Trade Waste	(167)	(178)
Leisure, Culture and Heritage	Parking	(1,008)	(982)
Leisure, Culture and Heritage	Markets	(172)	(167)
Leisure, Culture and Heritage	Leisure	(790)	(783)
Total Income analysed on a segmental basis		(4,197)	(4,338)

8. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	£'000	£'000
Expenditure		
Employee benefits expenses	8,456	9,575
Supplies and Services	3,995	3,672
Premises	874	1,041
Transport	275	292
Transfer payments	18,222	16,807
Depreciation, amortisation, impairment, capital expenditure funded from revenue	2,719	3,439
Interest payments (including pensions interest)	1,191	2,152
Precepts and levies	8,296	7,128
Gain on disposal of assets	9	8
Total Expenditure	44,037	44,114
Income		
Fees, charges and other service income	(7,107)	(7,012)
Interest and investment income (including return on pension fund assets)	(99)	(1,320)
Income from sale of fixed assets	-	(126)
Gains from revaluation of Investment Property	-	(63)
Income from council tax and non-domestic rates	(12,474)	(11,866)
Government and other grants and contributions	(23,103)	(23,467)
Total Income	(42,783)	(43,854)
Deficit on the Provision of services	1,254	260

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

9. 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 an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2016/17	Usable Reserves		
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000
Adjustments to the Revenue Resources 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.			
Pensions costs	1,146	-	-
Council tax and business rates	(590)	-	-
Holiday pay	-	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	2,717	10	-
Total Adjustments to Revenue Resources	3,273	10	-
Adjustments between Revenue and Capital Resources Capital expenditure financed from revenue balances	(1,795)	-	-
Adjustments to Capital Resources Application of capital grants to finance capital expenditure	(300)	-	(19)
Total Adjustments	1,178	10	(19)

2017/18	Usable Reserves		
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000
Adjustments to the Revenue Resources 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.			
Pensions costs	1,741	-	-
Council tax and business rates	366	-	-
Holiday pay	(7)	-	-
Movement in the market value of Investment Property	591	-	-
Capital grants and contributions applied to capital financing	(1,788)	-	-
Capital grants and contributions not applied to capital financing	(622)	-	622
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	2,772	-	-
Total Adjustments to Revenue Resources	3,053	-	622
Adjustments between Revenue and Capital Resources Transfer of non-current asset sale proceeds to Capital Receipts Reserve	(126)	126	-
Capital expenditure financed from revenue balances	(226)	-	-
Total Adjustments between Revenue and Capital	(352)	126	
Adjustments to Capital Resources Application of capital grants to finance capital expenditure	-	-	(201)
Total Adjustments	2,701	126	421

10. MOVEMENTS IN EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2017/18.

	1 April 2016 £'000	In 2016/17 £'000	Out 2016/17 £'000	31March 2017 £'000	In 2017/18 £'000	Out 2017/18 £'000	31March 2018 £'000
Capital Funding	2,126	1,414	(885)	2,655	1,163	(183)	3,635
Transformation Reserve	947	139	(159)	927	71	(124)	874
Repairs and Renewals	661	50	(40)	671	60	(17)	714
ICT Reserve	443	15	(34)	424	-	(27)	397
Housing Reserve	1,575	32	(493)	1,114	111	(72)	1,153
Controlling Migration	-	-	-	-	489	-	489
Climate Change Reserve	88	47	-	135	15	-	150
Value added tax Partial Exemption	139	-	(139)	-	-	-	-
Insurance Reserve	200	30	-	230	30	-	260
Misc. Earmarked Reserves	15	-	(2)	13	-	(3)	10
Tax Reserve	709	891	(919)	681	378	-	1,059
Total	6,903	2,618	(2,671)	6,850	2,317	(426)	8,741

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

11. OTHER OPERATING EXPENDITURE

2016/17 £'000		2017/18 £'000
455	Parish council precepts*	352
	Internal Drainage Board levies	
1,013	Witham Fourth	1,023
755	Black Sluice	773
53	Welland and Deeping	54
1	South Holland	1
9	(Gains) / losses on disposal of non-current assets	(118)
2,286	Total	2,085

* In 2017/18 special expenses relating to Boston Special Area Committee are included in the cost of services in the Comprehensive Income and Expenditure Statement under the relevant service segment, whereas for 2016/17 the net expenditure was included under Parish council precepts.

12. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

111	Interest payable and similar charges	111
1,080	Net interest on the net defined benefit liability	836
(103)	Interest receivable and similar income	(115)
	Income and expenditure in relation to investment properties and changes in their fair value	401
(90)		
75	Trading Accounts*	-
1,073	Total	1,233

*For 2017/18 Trading Accounts, which relate to Car Parking and Markets, have been included in the cost of services in the Comprehensive Income and Expenditure Statement under Leisure, Cultural and Heritage. The financial performance of the Council's trading services is shown at Note 28.

13. TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

£'000		2017/18 £'000
(3,637)	Council tax income	(4,311)
	Non-domestic rates income and expenditure	
(2,819)	Retained Business Rates after payment of tariff	(2,630)
(1,430)	Revenue Support Grant	(969)
(1,675)	Non ring- fenced Government grants	(1,676)
-	Capital grants and contributions	(1,665)
(9,561)	Total	(11,251)

NOTES TO THE BALANCE SHEET

14. PROPERTY, PLANT AND EQUIPMENT - Movements on Balances

	and Buildings £'000	Plant and Equipment £'000	under Construction £'000	Assets £'000	Assets £'000	Property Plant and Equipment £'000
Cost or Valuation						
At 1 April 2016	26,626	6,563	482	62	5	33,738
Additions	777	100	-	-	-	877
Revaluation increases/decreases recognised in the Revaluation Reserve	(1,200)	-	-	-	-	(1,200)
Revaluation increases/decreases recognised in the Surplus/Deficit on the Provision of Services	(15)	-	-	-	-	(15)
De-recognition - Disposals	-	(155)	-	-	-	(155)
De-recognition - Other	-	(477)	-	-	-	(477)
Assets reclassified	482	-	(482)	-	-	-
Other movements in cost or valuation	-	(5)	-	-	-	(5)
At 31 March 2017	26,670	6,026	-	62	5	32,763
Accumulated Depreciation and Impairment						
At 1 April 2016	-	(5,063)	-	(62)	-	(5,125)
Depreciation Charge	(1,107)	(382)	-	-	-	(1,489)
Depreciation written out to the Revaluation Reserve	1,107	-	-	-	-	1,107
De-recognition - Disposals	-	146	-	-	-	146
De-recognition - Other	-	477	-	-	-	477
At 31 March 2017	-	(4,822)	-	(62)	-	(4,884)
Net Book Value						
At 31 March 2017	26,670	1,204	-	-	5	27,879
At 31 March 2016	26,626	1,500	482	-	5	28,613

Movements in 2017/18	Other Land and Buildings	Vehicles, Plant and Equipment	Community Assets	Surplus Assets	Total Property Plant and Equipment
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
At 1 April 2017	26,670	6,026	62	5	32,763
Additions	253	69	-	-	322
Revaluation increases/decreases recognised in the Revaluation Reserve	170	-	-	-	170
Revaluation increases/decreases recognised in the Surplus/Deficit on the Provision of Services	(552)	-	-	-	(552)
De-recognition - Disposals	-	(2,745)	-	-	(2,745)
At 31 March 2018	26,541	3,350	62	5	29,958
Accumulated Depreciation and Impairment					
At 1 April 2017	-	(4,822)	(62)	-	(4,884)
Depreciation Charge	(1,263)	(380)	-	-	(1,643)
Depreciation written out to the Revaluation Reserve	1,248	-	-	-	1,248
Depreciation written out to the Surplus/Deficit on the Provision of Services	15	-	-	-	15
De-recognition - Disposals	-	2,737	-	-	2,737
At 31 March 2018	-	(2,465)	(62)	-	(2,527)
Net Book Value					
At 31 March 2018	26,541	885	-	5	27,431
At 31 March 2017	26,670	1,204	-	5	27,879

Depreciation

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

- Other land and buildings 2 - 49 years
- Vehicles, Plant and Equipment 1 – 7 years

Capital Commitments

At 31 March 2018 the Council has entered into a contract for the acquisition of refuse and street cleansing vehicles at an estimated cost of £216,000.

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. 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 Global Standards 2017. Revaluations during 2017/18 were undertaken by Darren Fabris BSc (Hons) MRICS, RICS Registered Valuer (Kier Business Services).

	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Surplus Assets £'000	Total £'000
Carried at historical cost	-	885	-	885
Valued at current value 31 March 2018	26,541	-	5	26,546
Total Cost or Valuation	26,541	885	5	27,431

15. HERITAGE ASSETS

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

2016/17	Cost or Valuation at 1 April 2016 £'000	Additions £'000	Revaluations £'000	Cost or Valuation at 31 March 2017 £'000
Coins and Medals	4	-	-	4
Art Collection	522	-	3	525
Silverware, Charters and Civic Regalia	681	-	(2)	679
Archaeology	2	-	-	2
Ancient Monuments and Heritage Sites in Boston	6,364	-	92	6,456
Social History	349	6	(6)	349
Unaccessioned Pieces	5	-	-	5
Total	7,927	6	87	8,020

2017/18	Cost or Valuation at 1 April 2017 £'000	Revaluations £'000	Cost or Valuation at 31 March 2018 £'000
Coins and Medals	4	-	4
Art Collection	525	1	526
Silverware, Charters and Civic Regalia	679	-	679
Archaeology	2	-	2
Ancient Monuments and Heritage Sites in Boston	6,456	(68)	6,388
Social History	349	-	349
Unaccessioned Pieces	5	-	5
Total	8,020	(67)	7,953

The Council's Heritage Assets are held in storage, at the Municipal Buildings and Guildhall, and also located at various sites in and around Boston. The Guildhall has collections of heritage assets which are held in support of the primary objective of the Museum i.e. increasing the knowledge, understanding and appreciation of the Council's history and local area.

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.

The Council's collection of heritage assets is accounted for as follows:

Ancient Monuments and Heritage Sites

The Guildhall, with a current value of £6.349m, has been valued at its fair value by Darren Fabris BSc (Hons) MRICS, RICS Registered Valuer of Kier Business Services Limited, with the latest valuation being at 31 March 2018.

Heritage sites (such as the War Memorial in Strait Bargate) are held on the balance sheet at the insurance valuation.

The Council does not consider that reliable cost or valuation information can be obtained for its ancient monuments. This is because of the nature of the assets held and lack of comparable market values. Consequently the Council recognises these assets on the balance sheet at nil value.

Civic Regalia

The Council's Civic Regalia was last valued by Bonham's in January 2017 and was based on its insurance valuation as proxy for market value.

Museum Collection

The museum collection is varied and is categorised into Archaeology, Coins and Medals, Fine Art, Natural History, Social History and Ethnographic collections. In addition there is a small group of objects which have not been accessioned into the collection and form the Educational /Handling collection. The Collection was last valued by Bonham's in January 2017 and was based on its insurance valuation as proxy for market value.

The Head of Service responsible for the service area which maintains the museum collection has indicated that the value shown on the Balance Sheet reflects all items of material value to the Council.

16. INVESTMENT PROPERTIES

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

	2016/17 £'000	2017/18 £'000
Rental income from investment property	(204)	(217)
Direct operating expenses arising from investment property	114	27
Net (gains)/losses from fair value adjustments	-	591
Net gain/(loss)	(90)	401

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.

	2016/17 £'000	2017/18 £'000
Balance at start of the year	3,257	3,281
Additions		
• Subsequent expenditure	24	1,339
Net gains/losses from fair value adjustments	-	(591)
Balance at end of year	3,281	4,029

Fair Value Hierarchy

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2018 is as follows:

	Fair Value Level 3 2016/17 £'000	Fair Value Level 3 2017/18 £'000
Commercial Industrial Units	650	657
Other Commercial Property	2,631	3,372
Balance at end of year	3,281	4,029

Valuation Techniques Used to Determine Level 3 for Investment Properties

Significant Unobservable Inputs – Level 3

Industrial units and commercial property located in the district are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted to establish the present value of the income stream. This approach has been developed using the Council's own data requiring it to factor in assumptions e.g. duration and timing of cash inflows and outflows, rent growth, occupancy levels etc.

The Council's investment properties are therefore categorised as level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

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 investment properties is measured at each reporting date. All valuations are carried out externally by Darren Fabris BSc (Hons) MRICS, RICS Registered Valuer of Kier Business Services, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors Global Standards 2017. The Council's valuation experts work closely with finance officers regarding all valuation matters.

17. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long-term		Short-term	
	31 March 2017 £'000	31 March 2018 £'000	31 March 2017 £'000	31 March 2018 £'000
Investments				
Loans and Receivables				
Principal	-	-	8,500	8,000
Accrued Interest	-	-	22	10
Available for Sale financial assets				
Principal	1,043	1,111	-	-
Accrued Interest	-	-	5	5
	1,043	1,111	8,527	8,015
Debtors	-	-	-	-
Loans and receivables	-	-	-	-
Mortgages and Car Loans	120	83	-	-
Trade Debtors	-	-	1,337	1,742
Total included in Debtors	120	83	1,337	1,742
Borrowings				
Financial liabilities at amortised cost	(1,000)	(1,000)	-	-
Creditors				
Amortised cost – Trade Creditors	-	-	(1,602)	(1,701)

Income, Expense, Gains and Losses

2016/17	Financial liabilities measured at amortised costs £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available for sale £'000	Total £'000
Interest payable and similar charges	111	-	-	111
Interest receivable and similar income	-	(103)	-	(103)
Net expenditure in Surplus or Deficit on the Provision of Services	111	(103)	-	8
Gains on revaluation	-	-	(43)	(43)
Net (gain)/loss for the year	111	(103)	(43)	(35)

2017/18	Financial liabilities measured at amortised costs £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available for sale £'000	Total £'000
Interest payable and similar charges	111	-	-	111
Interest receivable and similar income	-	(74)	(41)	(115)
Net expenditure in Surplus or Deficit on the Provision of Services	111	(74)	(41)	(4)
Gains on revaluation	-	-	(68)	(68)
Net (gain)/loss for the year	111	(74)	(109)	(72)

Fair Value of Financial Assets

The Council held £1.111m in property funds at 31 March 2018 (£1.043m at 31 March 2017). These represent level 1 inputs in the fair value hierarchy. Fair Value has been assessed using the published Net Asset Value of the funds and the balance sheet reflects these valuations. The combined purchase price was £1m so the increase in value of £0.111m has been credited to the Available for Sale Financial Instruments Reserve.

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 receivable, prevailing benchmark market rates have been used to provide the fair value
- for long term borrowing a rate of 2.47%, has been used to provide the fair value (as calculated by the Council's treasury advisors)

The fair values are calculated as follow:

	2016/17		2017/18	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Long-term borrowing	(1,000)	(3,030)	(1,000)	(2,938)
Short-term Investments	8,527	8,527	8,015	8,015

The fair value of long-term borrowing is greater than the carrying amount because the Council's loan is fixed at a rate which is higher than the prevailing rates for a similar loan at the Balance Sheet date.

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

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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 Link 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
- credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings
- investments are restricted to UK domiciled financial institutions.

The full Investment Strategy for 2017/18 was approved by Full Council in February 2017 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 £8.010m 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 the 31 March 2018 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 2018	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2018	Estimated maximum exposure to default and uncollectability at 31 March 2018	Estimated maximum exposure at 31 March 2017
	£'000	%	%	£'000	£'000
Customers	1,314	4	4	53	149

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 past due amount can be analysed by age as follows:

	31 March 2017 £'000	31 March 2018 £'000
Less than three months	936	1,276
Three months to one year	891	11
More than one year	1,893	27
	3,720	1,314

The Council does not generally allow credit for its customers. However, there are also aged debtors within the debtors balance on the balance sheet, especially with regard to overpaid housing benefits where recovery is largely governed by ongoing benefit entitlement rules. A provision is made in the accounts for bad or doubtful debts on historical experience of collection. Therefore, risk of default has already been accounted for in the balance sheet.

During the reporting period the Council held no collateral as security.

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 Council's borrowings at 31 March 2018 consisted of a single £1m loan, repayable in 2051. Short term liquidity is managed through the investment portfolio and the maturity analysis of these financial instruments is as follows:

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 provides stability of maturities and returns in relation to the longer term cash flow needs.

Market Risk

Interest rate risk

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

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the borrowing will fall
- investments at variable rates – the interest income charged to the Surplus or Deficit on the Provision of Services 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.

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

Price Risk - The Council does not generally invest in equity shares.

The £1.111m investment in property funds are all classified as 'available for sale', meaning that all 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 units (positive or negative) would thus have resulted in a £0.056m gain or loss being recognised in the Other Comprehensive Income and Expenditure for 2017/18.

Foreign Exchange Risk

The Council has no material financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

19. DEBTORS

	31 March 2017 £'000	31 March 2018 £'000
Central Government departments	841	2,589
Other local authorities	653	634
NHS bodies	5	1
Other entities and individuals	2,189	1,850
Total Cash and Cash Equivalents	3,688	5,074

20. CASH AND CASH EQUIVALENTS

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

	31 March 2017 £'000	31 March 2018 £'000
Cash held by the Council	1	1
Bank current accounts	66	-
Short term deposits with Counterparties	2,262	5,200
Cash and cash equivalents categorised as Current Assets	2,329	5,201
Bank current accounts – Bank Overdraft	-	(580)
Cash and cash equivalents categorised as Current Liabilities	-	(580)
Total Cash and Cash Equivalents	2,329	4,621

21. CREDITORS

	31 March 2017 £'000	31 March 2018 £'000
Central government departments	(1,740)	(1,344)
Other local authorities	(21)	(890)
Other entities and individuals	(2,515)	(2,014)
Total Cash and Cash Equivalents	(4,276)	(4,248)

22. PROVISIONS

	Business Rate Appeals £'000
Balance at 1 April 2017	(883)
Additional provisions made in 2017/18	(371)
Balance at 31 March 2018	(1,254)

The provision represents Boston's share (40% of £3.135m) of the total provision for appeals against the rateable values set by the Valuation Office Agency (VOA) not settled as at 31 March 2018. The total provision has been recognised in the Collection Fund Statement (page 70).

23. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and notes 9 and 10.

24. UNUSABLE RESERVES

31 March 2017 £'000		31 March 2018 £'000
(25,462)	Revaluation Reserve	(26,767)
(14,338)	Capital Adjustment Account	(13,236)
(43)	Available for Sale Financial Instruments Reserve	(111)
33,018	Pensions Reserve	33,392
(11)	Deferred Capital Receipts Reserve	(11)
(58)	Collection Fund Adjustment Account	308
130	Accumulated Absences Account	123
(6,764)		(6,302)

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 of the Capital Adjustment Account.

2016/17			2017/18	
£'000	£'000		£'000	£'000
	(25,467)	Balance at 1 April		(25,462)
(980)		Upward revaluation of investments	(1,825)	
985		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	474	
	5	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(1,351)
	-	Accumulated gains on assets sold, scrapped or change in residual value written off to the Capital Adjustment Account		46
	(25,462)	Balance at 31 March		(26,767)

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 the acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. 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. The Account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2016/17			2017/18	
£'000	£'000		£'000	£'000
	(14,948)	Balance at 1 April		(14,338)
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
1,490		Charges for depreciation and impairment of non-current assets	1,643	
17		Revaluation losses on property, plant and equipment	537	
39		Amortisation of intangible assets	48	
1,172		Revenue expenditure funded from capital under statute	536	
5		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	8	
	2,723			2,772
	-	Adjusting amounts written out of the Revaluation Reserve		(46)
		Capital financing applied in the year:		
(617)		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,788)	
-		Application of grants to capital financing from the Capital Grants Unapplied Account	(201)	
(1,496)		Capital expenditure charged against the General Fund Balance	(226)	
	(2,113)			(2,215)
	-	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement		591
	(14,338)	Balance at 31 March		(13,236)

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its Property Fund Investments.

31 March 2017 £'000		31 March 2018 £'000
-	Balance at 1 April	(43)
(43)	Upward revaluation of investments	(68)
(43)	Balance at 31 March	(111)

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 Pension 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.

31 March 2017 £'000		31 March 2018 £'000
30,856	Balance at 1 April	33,018
1,016	Remeasurements of the net defined benefit liability	(1,367)
2,503	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	3,149
(1,357)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,408)
33,018	Balance at 31 March	33,392

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.

31 March 2017 £'000		31 March 2018 £'000
(11)	Balance at 1 April	(11)
-	Transfer to the Capital Receipts Reserve upon receipt of cash	-
(11)	Balance at 31 March	(11)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income 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.

31 March 2017 £'000		31 March 2018 £'000
532	Balance at 1 April	(58)
	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	366
(590)		
(58)	Balance at 31 March	308

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund 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 is neutralised by transfers to or from the Account.

2016/17			2017/18	
£'000	£'000		£'000	£'000
	107	Balance at 1 April		130
(107)		Settlement or cancellation of accrual made at end of the preceding year	(130)	
130		Amounts accrued at the end of the current year	123	
	23	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		(7)
	130	Balance at 31 March		123

NOTES TO THE CASH FLOW STATEMENT

25. OPERATING ACTIVITIES

The cash flows for operating activities include the following items

	2016/17 £'000	2017/18 £'000
Interest received	(104)	(125)
Interest paid	111	111

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

	2016/17 £'000	2017/18 £'000
Depreciation and amortisation	(1,529)	(1,691)
Impairments and downward valuations	(17)	(537)
(Increase) / decrease in short term creditors	24	259
Increase / (decrease) in short term debtors	346	986
Increase / (decrease) in inventories	-	(5)
Pensions adjustments	(1,146)	(1,741)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(9)	(8)
Other non-cash items charged to the net surplus or deficit on the provision of services	(610)	(962)
	(2,941)	(3,699)
<i>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities</i>		
Proceeds from the sale of non-current assets	-	126
Any other items for which the cash effects are investing or financing cash flows	600	2,411
	600	2,537

26. INVESTING ACTIVITIES

	2016/17 £'000	2017/18 £'000
Purchase of property, plant and equipment, investment property and intangible assets	941	1,654
Purchase of short term and long term investments	5,262	500
Other payments for investing activities	-	10
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(10)	(126)
Proceeds from short term and long term investments	(3,500)	(1,002)
Other receipts from investing activities	-	(2,120)
Net cash flows from investing activities	2,693	(1,084)

27. FINANCING ACTIVITIES

	2016/17 £'000	2017/18 £'000
Other receipts from financing activities	(85)	-
Other payments for financing activities	20	-
Amounts relating to major preceptors & NNDR	445	(306)
Net cash flows from financing activities	380	(306)

OTHER NOTES

28. TRADING OPERATIONS

The Council has established trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations.

		2016/17		2017/18	
		£'000	£'000	£'000	£'000
Trade Waste	Turnover	(185)	(40)	(196)	(50)
	Expenditure	145		146	
	(Surplus)				
Markets	Turnover	(172)	115	(167)	611
	Expenditure	287		778	
	Deficit				
Net deficit on trading operations			75		561

As a result of the revised asset valuation for market rights there has been an accounting charge to the market service in 2017/18 of £510,417; however the underlying trading position was a deficit in 2017/18 of £101,000 compared to a deficit of £115,000 in 2016/17.

29. MEMBERS' ALLOWANCES

The Council paid the following amounts to its elected members during the year.

	31 March 2017 £'000	31 March 2018 £'000
Allowances	172	172
Expenses	8	6
Total	180	178

30. OFFICERS' REMUNERATION

The tables below include those officers who report directly to members or the Chief Executive and who have responsibility for the strategies of the Council. The remuneration paid to the Council's senior employees is as follows.

2016/17 Job Title	Salary, fees and allowances £	Expenses Allowances £	Pension Contribution £	Total £
Chief Executive	95,712	-	16,175	111,887
Strategic Director (S151)	41,580	-	7,027	48,607
The Strategic Director (S151) is employed 18.5 hrs by Boston Borough Council (and 18.5 hrs by East Lindsey District Council. The total annualised salary would be £83,160)				
Corporate Director	62,979	-	10,643	73,622
Head of Operations	55,773	-	9,426	65,199
Head of HR & Transformation	34,381	-	5,810	40,191
The post holder works part time, the annualised salary for this post would be £55,773				
Head of Housing & Community Services	56,040	-	9,472	65,512
Head of Town Centre, Leisure, Events & Culture	40,330	-	6,816	47,146
The post holder started 11 July 2016, the annualised salary for this post is £56,191				
Head of Financial Services	68,481	-	11,751	80,232

2017/18 Job Title	Salary, fees and allowances £	Expenses Allowances £	Pension Contribution £	Total £
Chief Executive	97,208	-	16,589	113,797
Strategic Director (S151)	69,855	-	6,951	76,806
The Strategic Director (S151) is employed 18.5 hrs by Boston Borough Council (and 18.5 hrs by East Lindsey District Council. The total annualised salary would be £78,745)				
Corporate Director	65,957	-	10,898	76,855
Head of Operations (retired August 2017)	25,755	-	4,275	30,030
New Head of Operations (from 2 January 2018)	16,579	-	2,584	19,163
Head of HR & Transformation	43,025	-	7,106	50,131
The post holder works part time, the annualised salary for this post would be £56,191				
Head of Housing & Community Services	58,344	-	9,609	67,953
Head of Town Centre, Leisure, Events & Culture	56,509	-	9,328	65,837
Head of Financial Services	71,191	-	11,818	83,009

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	2017/18 Number of employees
£50,000 to £54,999	1	1
£55,000 to £59,999	-	1

The numbers of exit packages with total cost per band and total cost of compulsory and other redundancies are set out in the table below:

Exit Package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	£	
£0 - £20,000	-	-	2	-	2	-	17,500	-
£20,001 - £40,000	1	-	-	1	1	1	26,407	27,647
Total cost included in bandings							43,907	27,647
Total cost included in CIES							43,907	27,647

The total cost of £27,647 in the table above for exit packages has been charged to the Council's Comprehensive Income and Expenditure Statement in the current year.

31. EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and to non-audit services provided by the Council's external auditors:

	31 March 2017 £'000	31 March 2018 £'000
Statutory Audit Services		
Fees payable to KPMG LLP with regard to external audit services carried out by the appointed auditor for the year	44	44
Fees payable to KPMG LLP with regard to certification of grants and claims	9	10
Other Services		
Fees payable in respect of other services provided by KPMG LLP during the year	5	-
Total	58	54

In addition, during in 2017/18 a refund of retained earnings to audited bodies in the sum of £6,550 was received from Public Sector Audit Appointments.

32. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18.

	£'000	£'000
Credited to Taxation and Non-Specific Grant Income and Expenditure		
Revenue Support Grant	(1,430)	(969)
S31 Grant – Business Rate Grant	(406)	(748)
New Homes Bonus Scheme Grant	(1,184)	(860)
Other non-specific grants	(85)	(68)
Grants and contributions in relation to capital expenditure		
Municipal Buildings – DWP Project	-	(1,283)
Controlling Migration	-	(364)
Homelessness Software	-	(18)
Credited to Services		
Housing Benefit Subsidy	(18,710)	(17,210)
Housing Benefits and Council Tax Administration Grant	(363)	(328)
Discretionary Housing Payment	(91)	(107)
Controlling Migration	-	(493)
Disabled Facilities Grant	(280)	(526)
ELDC - CCTV	-	(143)
PSICA Grant	(20)	(76)
Other	(227)	(274)
Total of all Grants and Contributions	(22,796)	(23,467)
<i>Of which, Grants from Central Government</i>	<i>(22,286)</i>	<i>(22,699)</i>

33. 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. 2016/17 comparators are shown in brackets.

- Funding from Government Note 32, £22.699m (£22.286m)
- Non-Domestic Rates Share Payable Collection Fund £9.583m (£9.270m)
- Debtors Note 19 £2,589m (£0.841m)
- Creditors Note 21 £1,344m (£1.740m)

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2017/18 is shown in Note 29. The relevant disclosures are:

Six members declared interest in organisations which transacted with the Council in 2017/18 for the purchase or supply of goods and services, or being board members of voluntary organisations which are supported with grants or contributions from the Council, or their business received grants from the Council, or being employees of organisations that transact with the Council, or being board members of organisations who are precepting bodies, or undertaking charitable activities which have been supported by the council, all of which are deemed to be immaterial.

Officers

Four officers declared an interest in an organisation or partnership that transacts with the Council, none of which are considered material. One officer shares a post with East Lindsey District Council.

Other Public Bodies (subject to common control by central government)

The Council's Deputy S151 Officer holds the same appointment at East Lindsey District Council. During 2017/18, the Council received £14,497 (£14,150 for 2016/17) from East Lindsey District Council for this shared post.

The Council has a Jointly Controlled Operation with South Holland District Council and Lincolnshire County Council, called the Joint Strategic Planning Committee for South East Lincolnshire. They are to produce a Joint Local Development Plan. The cost for each Council during 2017/18 was £215,441 (£183,638 for 2016/17).

The Council works together with East Lindsey District Council whereby some refuse services are delivered by Boston Borough Council within the East Lindsey area using a shared resource. During 2017/18 the Council received £202,339 (£193,354 in 2016/17) in respect of this sharing arrangement.

Pension Fund – the Council paid an employer's contribution of £1.408m into Lincolnshire County Council's Superannuation Fund (£1.357m in 2016/17). Under the requirements of IAS19 the actuarial estimate shows a contribution of £1.401m payable in 2018/19. The fund provides its members with defined benefits related to pay and service. Full disclosure on Retirement Benefits is shown in Note 37.

Levying Bodies

Internal drainage boards and parish councils levy demands on the Council Tax, and further details are set out in Note 11.

34. 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), 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.

	2017 * Restated £'000	2018 £'000
Opening Capital Financing Requirement	(541)	459
Capital Investment		
Property, Plant and Equipment	877	322
Investment properties	24	1,339
Intangibles	40	18
Long-term Investment	1,000	-
Revenue Expenditure Funded from Capital under Statute	1,172	536
Sources of finance		
Government grants and other contributions	(617)	(1,989)
Direct revenue contributions	(1,496)	(226)
Closing Capital Financing Requirement	459	459
Explanation of movements in year		
Increase in underlying need to borrow (unsupported by government financial assistance)	1,000	-
Increase in the Capital Financing Requirement	1,000	-

* As noted on the Balance Sheet, this restatement occurred as a result of the reclassification of the council's property fund holdings

35. LEASES

Council as Lessor

The Council leases out property under operating leases all of which are cancellable by either party giving notice under the terms of the contract. The Council's investment properties, valued on the balance sheet at 31 March 2018 at £4.029m (£3.281m at 31 March 2017), have been leased. Details of the income and expenditure relating to leased property can be found at Note 16.

36. IMPAIRMENT LOSSES

No impairment losses have been recognised in 2017/18.

37. 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, the Council has a commitment to make the payments (for those benefits) 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 Council 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 to the Council 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 the amounts required by statute as described in the accounting policies note.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions Relating to Post-employment Benefits

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

	Local Government Pension Scheme	
	2016/17 £'000	2017/18 £'000
Comprehensive Income and Expenditure Statement		
Cost of services:		
<i>Service cost comprising:</i>		
Current service cost	1,410	2,313
Past service costs	13	-
Financing and Investment Income and Expenditure		
Net interest expense	1,080	836
Total Post-employment Benefit charged to the Surplus or Deficit on the Provision of Services	2,503	3,149
Other Post-employment Benefit charged to the Comprehensive Income and Expenditure Statement		
Re-measurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(8,143)	99
Actuarial gains and losses arising on changes in demographic assumptions	(1,233)	-
Actuarial gains and losses arising on changes in financial assumptions	13,166	(1,464)
Other Experience	(2,774)	(2)
Total Remeasurements recognised in Other Comprehensive Income and Expenditure	1,016	(1,367)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	3,519	1,782
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(1,146)	(1,741)
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to the Scheme	1,357	1,408

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme	
	2016/17 £'000	2017/18 £'000
Present value of the defined benefit obligation	81,628	82,334
Fair value of plan assets	(48,610)	(48,942)
Net Liability arising from defined benefit obligation	33,018	33,392

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

	Local Government Pension Scheme	
	2016/17 £'000	2017/18 £'000
Opening fair value of scheme assets	40,047	48,610
Interest income	1,384	1,205
Remeasurement gain / (loss):		
The return on plan assets, excluding the amount included in the net interest expense	8,143	(99)
Contributions from employer	1,357	1,408
Contributions from employees into the scheme	348	355
Benefits paid	(2,669)	(2,537)
Closing fair value of scheme assets	48,610	48,942

Reconciliation of Present Value of the Scheme Liabilities

	Local Government Pension Scheme	
	2016/17 £'000	2017/18 £'000
Opening balance at 1 April	70,903	81,628
Current service cost	1,410	2,313
Interest cost	2,464	2,041
Contributions by scheme participants	348	355
Remeasurement gains / losses:		
Actuarial gains / losses arising from changes in demographic assumptions	(1,233)	-
Actuarial gains / losses arising from changes in financial assumptions	13,166	(1,464)
Other experience	(2,774)	(2)
Past service costs	13	-
Benefits paid	(2,669)	(2,537)
Closing balance at 31 March	81,628	82,334

Local Government Pension Scheme assets comprised:

	Local Government Pension Scheme	
	2016/17 £'000	2017/18 £'000
Cash and cash equivalents	344.1	598.6
Equity instruments:		
Consumer	5,465.0	3,595.4
Manufacturing	714.4	2,782.6
Energy and utilities	1,260.3	1,356.9
Financial institutions	3,357.2	3,365.6
Health and Care	-	2,082.2
Information technology	1,871.3	3,807.1
Other	3,990.6	-
Debt Securities:		
Corporate	4,518.3	-
Government	1,569.4	-
Real Estate:		
UK Property	4,423.1	4,147.6
Overseas Property	148.0	365.4
Private equity	1,122.5	792.4
Investment Funds and Unit Trusts:		
Equities	13,355.1	13,579.2
Bonds	-	5,785.6
Infrastructure	730.7	713.0
Other	5,740.0	5,970.4
Total Assets	48,610.0	48,942.0

All scheme assets have quoted prices in active markets.

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 liabilities have been estimated by Hymans Robertson, an independent firm of actuaries, estimates for the Lincolnshire Pension Fund being based on the latest full valuation of the scheme as at 31 March 2016.

	Local Government Pension Scheme	
Mortality assumptions:		
<i>Longevity at 65 for current pensioners (years):</i>		
Men	22.1	22.1
Women	24.4	24.4
<i>Longevity at 65 for future pensioners (years):</i>		
Men	24.1	24.1
Women	26.6	26.6
Rate of inflation	3.7%	3.4%
Rate of increase in salaries	2.8%	2.8%
Rate of increase in pensions	2.4%	2.4%
Rate for discounting scheme liabilities	2.5%	2.6%

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

	Impact on the Defined Benefit Obligation in the Scheme	
	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount £'000
0.5% decrease in Real Discount Rate	9%	7,620
0.5% increase in the Salary Increase Rate	1%	941
0.5% increase in the Pension Increase Rate	8%	6,585

Impact on the Authority'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 contribution rate, over the period to 31 March 2020, has been stabilised. The stabilisation is for employer contribution rates to increase at 1% p.a. from the 2017/18 level.

Employer contributions payable to the scheme in 2018/19 are estimated to be £1.401m.

The 2017/18 weighted average duration of the defined benefit obligation for scheme members is 16.6 years (16.6 years in 2016/17).

38. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

No contingent liabilities or contingent assets were identified at 31 March 2018.

39. PRIOR PERIOD ADJUSTMENTS

During 2016/17 the Council incurred capital expenditure of £1m in acquiring units in three property funds. This was initially categorised as short term investments in the 2016/17 financial statements, whereas, following a review, the expectation is that the funds will be held for a period of greater than one year. Property Funds held at 31 March 2017 have therefore been re-categorised as long-term investments.

Effect on Balance Sheet 31 March 2017.

	As previously stated 31 March 2017 £'000	Correction required £'000	As restated £'000
Long-term investments	-	1,043	1,043
Long-term Assets	39,378	1,043	40,421
Short-term Investments	9,570	(1,043)	8,527
Current Assets	15,609	(1,043)	14,566

COLLECTION FUND STATEMENT

£'000	£'000	£'000		£'000	£'000	£'000
(28,727)	-	(28,727)	Income			
-	(20,801)	(20,801)	Council Tax Receivable	(30,068)	-	(30,068)
-	-	-	Business Rates Receivable	-	(19,734)	(19,734)
-	-	-	Transitional Protection Payments	-	(77)	(77)
-	(735)	(735)	Contributions towards previous year's Collection fund deficit	-	-	-
-	(589)	(589)	Central Government	-	-	-
-	(147)	(147)	Boston Borough Council	-	-	-
-			Lincolnshire County Council	-	-	-
(28,727)	(22,272)	(50,999)	Total Income	(30,068)	(19,811)	(49,879)
			Expenditure			
-	10,005	10,005	Precepts, demands and shares			
3,570	8,004	11,574	Central Government	-	9,576	9,576
20,282	2,001	22,283	Boston Borough Council	4,238	7,661	11,899
3,621	-	3,621	Lincolnshire County Council	21,498	1,915	23,413
-	123	123	Police and Crime Commissioner for Lincolnshire	3,765	-	3,765
			Transitional Protection Payments	-	-	-
373	270	643	Impairment of debts/appeals			
419	267	686	Write off of uncollectable debts	-	-	-
-	-	-	Increase in allowance for impairment	46	128	174
-	91	91	Increase in provision for appeals	-	927	927
-	145	145	Cost of Collection Allowance	-	91	91
			Renewable Energy	-	149	149
			Contributions towards previous year's Collection fund surplus			
48	-	48	Central Government	-	7	7
276	-	276	Boston Borough Council	7	5	12
50	-	50	Lincolnshire County Council	40	1	41
			Police and Crime Commissioner for Lincolnshire	7	-	7
28,639	20,906	49,545	Total Expenditure	29,601	20,460	50,061
(88)	(1,366)	(1,454)	(Surplus)/Deficit arising during year	(467)	649	182
(435)	1,741	1,306	(Surplus)/Deficit at beginning of year	(523)	375	(148)
(523)	375	(148)	(Surplus)/Deficit at end of year	(990)	1,024	34

NOTES TO THE COLLECTION FUND STATEMENT

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.

2. COUNCIL TAX INCOME

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 Boston Borough Council, together with the relevant Parish requirement.

This is then divided by the Council Tax base, i.e. the number of chargeable dwellings in each valuation band (adjusted for discounts and exemptions), converted to an equivalent number of Band D dwellings.

The calculation of the Council Tax base for the year is shown below:

Band	Chargeable Dwellings	Ratio	Band D Equivalent
A (with Disabled Relief)	17.10	5/9	9.50
A	10,223.10	6/9	6,815.40
B	4,973.91	7/9	3,868.60
C	5,179.69	8/9	4,604.17
D	1,873.90	9/9	1,873.90
E	752.10	11/9	919.23
F	198.42	13/9	286.60
G	72.00	15/9	120.00
H	4.25	18/9	8.50
Band D Equivalents			18,505.90
Allowance for Non collection (1.0 %)			(185.06)
District Tax Base			18,320.84

The basic level of council tax for a band D property, excluding the parish element, was £1,557.18. To calculate the charge payable for a specific property, the appropriate parish Band D charge is added to the basic level and then multiplied by the relevant factor for the band assigned to the property.

3. NATIONAL NON-DOMESTIC RATES (NNDP) – BUSINESS RATES

Under the arrangements for non-domestic rates, the Council collects rates for its area based on local rateable values (determined by the Valuation Office Agency, an executive agency of HM Revenue and Customs) multiplied by the multiplier (determined by the Government). For 2017/18 there are two multipliers, the non-domestic rating multiplier of 47.9p (49.7p in 2016/17) and the small business non-domestic rating multiplier of 46.6p (48.4p in 2016/17).

Following the national revaluation, the total rateable value for the Council's area at 31 March 2018 was £53.195m (£52.477m at 1 April 2017).

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 2018.

	Business Rate Appeals	
	£'000	£'000
Balance at 1 April 2017		(2,208)
Amounts used/reversed in 2017/18	-	
Additional Provisions made in 2017/18	(927)	
Increase in Provision		(927)
Balance at 31 March 2018		(3,135)
Boston Share (40%)		(1,254)

5. COLLECTION FUND

As at 31 March 2018, the net deficit on the Collection Fund is £0.034m (£0.148m at 31 March 2017).

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

	2016/17		2017/18	
	Council Tax £'000	NDR £'000	Council Tax £'000	NDR £'000
Central Government	-	187	-	512
Boston Borough Council	(76)	150	(142)	410
Lincolnshire County Council	(380)	38	(721)	102
Lincolnshire Police and Crime Commissioner	(67)	-	(127)	-
(Surplus)/Deficit	(523)	375	(990)	1,024