

# **BOSTON BOROUGH COUNCIL**

## **FINANCIAL REPORT 2019/20**

*Adrian Sibley, Chief Finance Officer (Section 151 Officer)*

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## NARRATIVE REPORT 2019/20

### 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 are those 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 2018, estimated there to be 69,366 residents and approximately 29,500 households in the Borough. The population shows an increase of over 17% above 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 (2019), Boston Borough is ranked as the 85th 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](http://www.research-lincs.org.uk/area-profiles.aspx)

## POLITICAL STRUCTURE IN THE 2019/20 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 during the year on 2 May 2019. The next election takes place in May 2023. The political make up of the Council at the end of the year was:

Party	Number
Conservative	16
Independent	6
Bostonian Independent Group	5
Labour	2
Unaligned	1

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 its 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 has recently been operating in an environment where resources are constrained as Government funds have been withdrawn, and the council has had to keep finding 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.

In response to the local election during the year, the Corporate Plan is in the process of being revised.

The existing plan contains 4 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.

Once prepared and adopted, the updated Plan will enable the Council to concentrate on its priorities in the period up to the next election in 2023.

## 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 2019/20, the Corporate Management Team comprised the Chief Executive, the Deputy Chief Executive, Chief Finance Officer, and four Heads of Service. 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 2019, the Council employed 297 people, and it was also that number at March 2020. Included in these numbers are a number of apprentices in a wide variety of roles. Boston Borough Council is required to pay 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 2019/20

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

- Saw the installation of the £100 million Boston Barrier, which will protect more than 14,000 properties from tidal flooding
- Entered into one of the first Homes England Housing Infrastructure Fund contracts, valued at £3.5m in July 2019.
- Over 97 affordable homes were built in the year, bringing the total to 724 since 2012/13.
- The undertaking of a Local Government Association Peer Review, the outcomes of which commented favourably on the efforts of the Council
- The garden waste scheme continued to be successful
- The continued development 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 3.7 tonnes of rubbish to keep the streets clean, and at the year end, there were 255 community volunteer litter pickers signed up.
- The range of town centre events - 1940s day, outdoor cinema and beach days in Central Park, celebration of farming events in the Market Place, afternoon tea in the Guildhall

## FINANCIAL PERFORMANCE

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

The Council:

- Collects almost £20m of business rates, and in 2019/20 was part of a business rates pool meaning that it and Lincolnshire County Council were able to share in business rate growth that would otherwise have been retained by central government.
- Collects over £34m in Council Tax, with the majority being collected on behalf of the major precepting bodies - Lincolnshire County Council (£25m) and the Lincolnshire Police and Crime Commissioner (£4m).
- Holds £20m of Property Fund holdings purchased in 2018/19, in response to a review of its long term capital needs. Revenue returns of £0.841m net of management fees, or 4.29% were generated. Capital values reduced slightly in the year, as a consequence of ongoing economic uncertainty, but are expected to recover and gain value in the coming years.
- Holds £61m of long-term assets comprising £37m of operational and heritage assets for delivering services, £4m of investment property and £20m of long term investments.
- Actively manages its treasury portfolio, generating over £0.844m of investment income from its cash holdings.
- Generates over £30m 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 76,733		
+	ACQUISITIONS / ADDITIONS 515	ADJUSTMENTS / DISPOSALS 855	REVALUATIONS 958
=	TOTAL ASSETS CARRIED FORWARD 79,061		

Broken down as:

PROPERTY, PLANT & EQUIPMENT 35,193	INVESTMENT PROPERTY 4,457	LONG TERM INVESTMENTS 19,599	HERITAGE ASSETS, ETC. 1,713	CURRENT ASSETS 18,099
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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 the 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 (including a refresh of the Transformation Programme), 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 £2.830m, from £10.519m to £13.349m, mainly as a result of additions to the Capital reserve (to provide funds to help deliver aspects of the Capital Strategy), the Funding Volatility reserve that recognises the uncertainties in the overall funding regime, and the Risk Mitigation Reserve that recognises the potential future revenue risks arising from the Property Fund purchases made during 2018/19. 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, placing increasing pressure on the services it is able to deliver. In the four years to 2019/20, the Council's Core Spending Power (the preferred measure used by the Government) reduced by 20%, with grant support reducing by more than this.

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

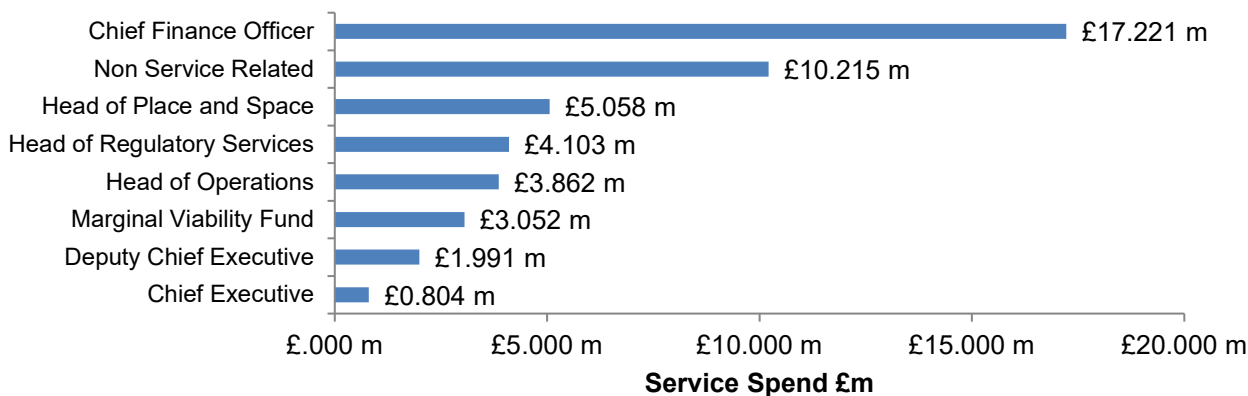
- Sound financial stewardship; and
- Innovative approaches to service delivery and support functions via the Transformation Programme.

The majority of savings in the original 2020/21 budget were found from transformation programme efficiencies and income with no cuts to service delivery, enabling a balanced budget to be approved for the coming year. Obviously, the impacts of the Covid-19 coronavirus (see comments below) will require significant amendments to this budget, which will be reported to members as the impacts and mitigations become clearer.

## COUNCIL SPENDING IN 2019/20

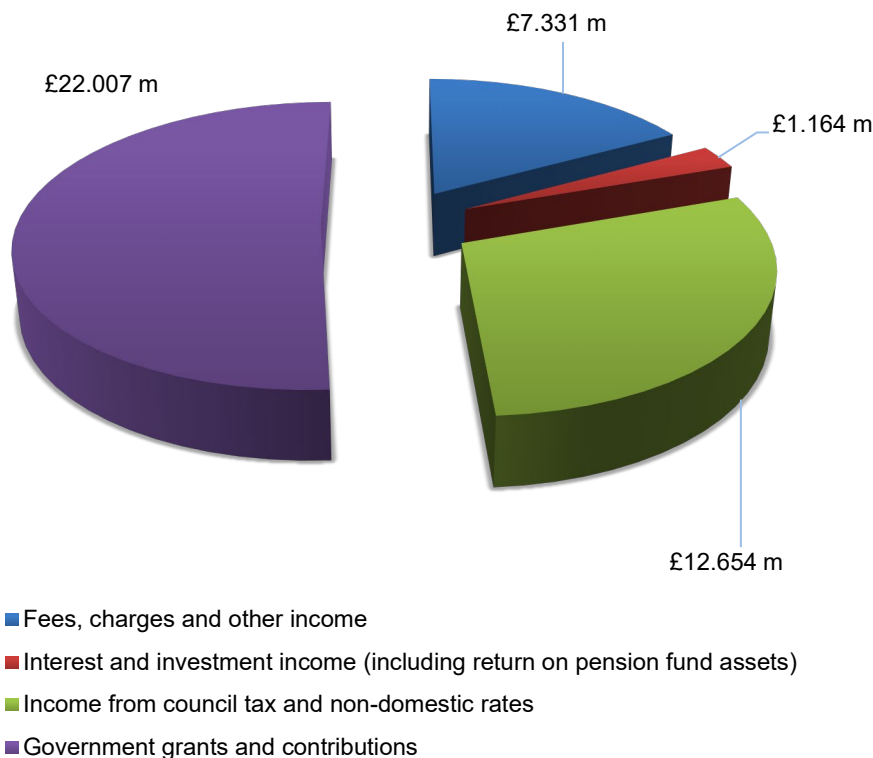
Up to March 2020, when the impacts of the global Covid-19 pandemic were being felt in the UK, Council spending by department was expected to be slightly below the budget. Despite the requirement to close the Geoff Moulder Leisure Centre and the cessation of car parking charges during late March, the revenue outturn position was contained within the original net budget amount. 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 service areas the money was spent on –



Financial Services includes the administration of Housing Benefits. The Council paid approximately £14m in rent allowances to private tenants/landlords during 2019/20. This is set to decrease in the coming years, as Universal Credit is further rolled out.

Where the money comes from –

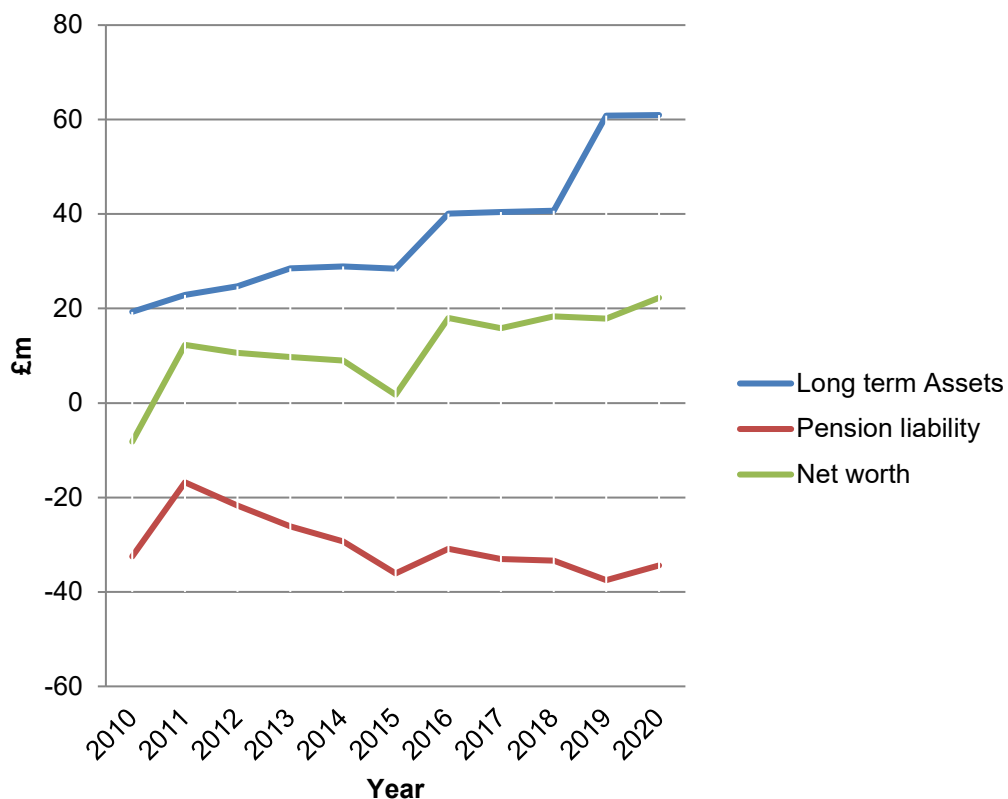




## FINANCIAL POSITION

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 a decade ago. Further details on the specific issues that have affected the components are included in the relevant year's Accounts.

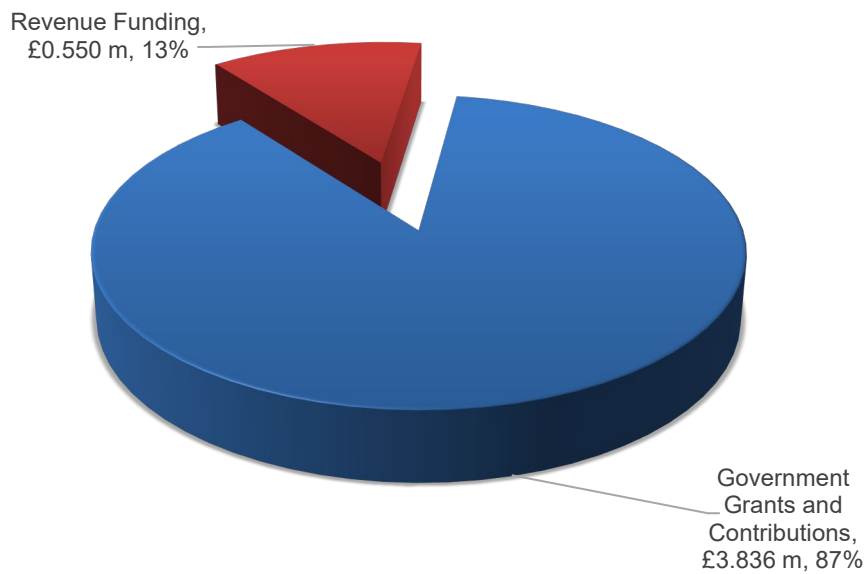
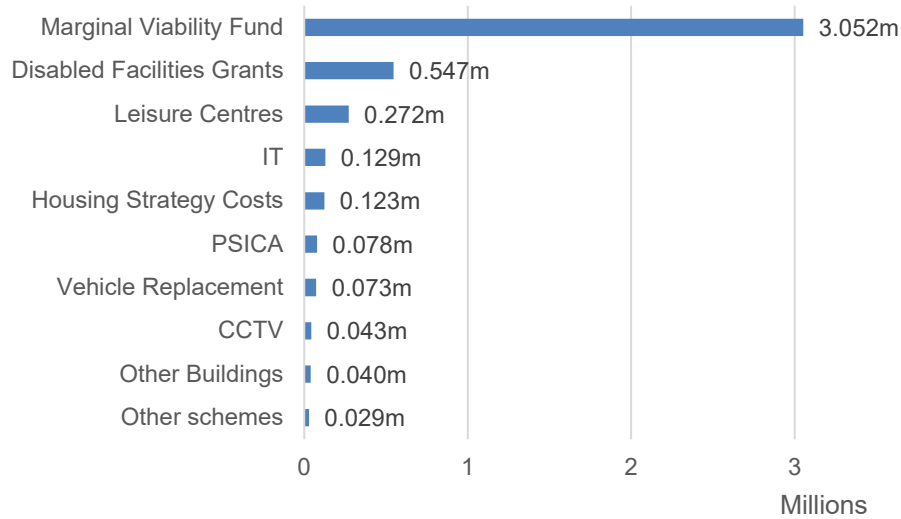
The change in the Net Worth at the end of 2019/20 is largely represented by the change in current assets across the year, the Pension Fund Actuary's assessment of the long term position of the Pension Fund and the Property Valuer's assessment of the value of the Council's assets at 31 March 2020.



## 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 2019/20 the Council spent £4.386m. The majority of the spend was on Housing Infrastructure Fund support for the Quadrant development (funded 100% from Government grant) and Disabled Facilities Grants.

**Capital Expenditure and associated financing in 2019/20 was as follows:**



## **NON-FINANCIAL PERFORMANCE OF THE COUNCIL 2019/20**

### **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 2019/20 include:

- There were 324 housing completions, compared to a target of 233
- 97 affordable homes delivered (target 97) and 89 empty properties returned to occupation (target 60)
- Over 97% of food businesses were broadly compliant with food safety law (i.e. rated 3 or higher under the National Food Hygiene Rating Scheme)
- 79 businesses were visited to support business growth (compared to a target of 50).

More information about the Council's performance can be found by looking on the website for the quarterly performance reports that are presented to the Cabinet.

The pressures on the finances of the Council are set to continue into the foreseeable future as public sector spending is likely to continue to be constrained, the impacts of the Covid-19 pandemic on the Council become clearer, and a new funding regime is introduced. As in previous years, the regular quarterly budget monitoring process reported to Cabinet and Council updated members on projected actual spend against the approved 2019/20 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 maintaining 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 Corporate Plan and 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 tackle the national public finances. The future funding regime for councils is also set to change, with the announcements by the government that in future councils will be able to retain 75% of business rates generated locally, the Fair Funding review and the proposed Spending Review later in 2020. Whilst these may seem positive moves, the details of the new arrangements are yet to be agreed and announced, 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 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 adoption of the Joint Local Plan (in April 2019) 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 will present challenges to the Council, particularly as a large proportion of Boston's local business is linked to the agricultural sector which is exempt from business rates and there is significant pressure on the retail sector both locally and across the country. 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. The initial rollout of Universal Credit took place during 2018/19, and will have further impacts on the Council in the coming years as further phases are introduced.

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 undertaken, and reported to members, to ensure that projections remain appropriate.

### *Dealing with the ongoing impacts of the Covid-19 pandemic*

At the time of preparing the Accounts, whilst the immediate consequences of the virus are incorporated into the year end figures, there are significant issues that will continue to require close monitoring and responses as appropriate -

- Volatility in financial markets, including pension assets
- Valuation of PPE and investment properties
- Increased uncertainty in financial markets, supply chains and service disruption

A more comprehensive note on the Covid-19 impacts upon the Council is set out later in this Statement.

### *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.

## **OTHER ISSUES AFFECTING THE TOWN AND BOROUGH**

It is worth noting that in addition to the Council's achievements during the year, there were a number of other announcements and activities that affect residents, businesses and visitors that are worthy of mention. They include the installation of the Boston Barrier, providing defences against future flooding; the announcement of £21m funding support for Accident and Emergency services at the Pilgrim Hospital; and the award of up to £25m for the town under the government's Towns Fund to stimulate economic growth and support the future prosperity of the town and the borough.

## 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 –

- The outcomes from the Covid-19 pandemic;
- The 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 maintain its General Fund balance at £2m this year, and invest in infrastructure and services within the Borough. At 31 March 2020, the Council held £13.349m 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 and uncertain next steps in the response to the global pandemic.

## 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 2020. 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 2019/20, 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 "usable", 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.

### COVID-19 IMPACTS TO DATE, AND IMPLICATIONS

The Council, as a partner organisation in the Lincolnshire Resilience Forum, has been and continues to play a key role in supporting the overall response to the pandemic, particularly, supporting vulnerable people in the local community. This will continue into the recovery phase, which will inevitably take some considerable time.

In April and May 2020 the Council delivered support in the guise of business grants in excess of £13m; and Council Tax Support (CTS) hardship funding of up to £150 will be awarded to working age CTS claimants. Further support is planned with the redirection of reserve monies from the 2018/19 business rate pilot to help businesses recover from the immediate impacts.

With regard to its own services, the Council closed the Geoff Moulder Leisure Centre in March 2020, and ceased charging for car parks when the lockdown commenced. A significant amount of work was undertaken by the IT team to enable staff to work from home, allowing the majority of services to continue to be provided to both residents and businesses. Whilst a few staff were affected by the outbreak, or advised to stay at home due to existing conditions, in the period to date the number affected has been sufficiently small to enable the continued delivery of most services, although some redeployment has occurred to maintain waste and bereavement services.

It is clear that the impacts of Covid-19 will change the way that some services are delivered for some time to come, and working from home is set to continue

Contact has been made with suppliers to ensure that services can still be provided.

The 2020/21 financial impacts of Covid-19 upon the Council mainly affect the income receivable from fees and charges, and a report to Cabinet on 20 May estimated that approximately £1.75m might be lost. The Government has indicated its commitment to funding the costs of Covid-19 to councils, and to date the Council has received £0.75m in grant support. Lobbying will continue throughout the remainder of the year to ensure that adequate recompense is given. Whilst the Council has created reserves that could manage the short term effects, the ongoing impacts and resource levels will determine the extent of service provision possible. For example, reallocating existing earmarked reserves could adversely impact upon the Council's ability to provide funding for capital projects, support for the housing strategy, future transformation initiatives and the ability to manage future events with negative consequences for the Council's financial position.

Cash flows changed significantly with the various announcements from the Government of extended business rate reliefs and other measures. The projected impacts were closely monitored and the Council worked its way through the initial uncertain stages before the Government introduced payment mechanisms to help compensate for the reduced sums coming into the Council.

The future funding regime for the Council is still unclear, with the collection fund impacts of the additional business rate reliefs and council tax support unknown at this stage, and with the 2021 Business Rate Retention, Fair Funding, and Business Rate Revaluation exercises all postponed. The Government has committed to assisting councils in meeting the costs (and lost income) arising as a result of the pandemic, and reports will be presented to members as details become available.

## PROPOSED STRATEGIC ALLIANCE WITH EAST LINDSEY DISTRICT COUNCIL

On 20 May 2020, the Cabinet agenda included a report setting out a proposal to create a strategic alliance with East Lindsey District Council, with the intention of enabling the councils to develop a single voice for the East Coast of Lincolnshire. If approved by Full Council, the councils will retain their own identities, and over the course of the coming two years it is proposed that a single joint chief executive will work towards the development of a single workforce. Once implemented, the plans are also set to deliver combined savings of £1.8m p.a., with 1/3 being Boston's share.

### 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](mailto: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](http://www.boston.gov.uk).



Adrian Sibley, Section 151 Officer  
9<sup>th</sup> November 2020

# ANNUAL GOVERNANCE STATEMENT 2019/20



## 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 2020: Initial review and challenge by CMT and AGC
- May 2020: Draft signed off by CMT and AGC
- 2020: Final AGS agreed as part of the audited financial report for 2019/20 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 of work for 2020/21 as set out in the table below.

Key area for 2020/21	Lead Officer	To be delivered by
Values and behaviours workshops	Judy Benson	September 2020
Development of a new Corporate Plan	CMT	December 2020
Implementation of code of conduct arrangements	Michelle Sacks	March 2021
Development of a new communication and engagement plan	CMT	March 2021

These actions will be recorded in service plans for 2020/21 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. The post-election training and development for Members and the refresh of the Transformation Programme have been completed. The development of a new Corporate Plan and implementation of code of conduct arrangements continue into in 2020/21.

### Impact of Covid-19

We have reviewed our governance arrangements in light of the impact of the COVID-19 pandemic, from March 2020. Where possible, ongoing service provision has been maintained with specific attention paid to key services including waste collection, revenues and benefits, customer services, information technology and people services.

We remain satisfied that we have effective arrangements in place for governance and that the robust system of internal control remains fit for purpose.

Our response to the pandemic has been co-ordinated by CMT and the Lincolnshire Local Resilience Forum (LRF). Decisions have been recorded by CMT and communicated by the Council's specially set up Covidcomms communication team to ensure key messages are clear and understood by all.



A central register of changes to processes and new channels for movement of information has been established. Managers complete the information on the register and this is then assessed by the Data Protection Officer, with options for mitigation or controls identified if required. This is then passed through to CMT for review and approval.

In addition, new processes were put in place to apply the business ratepayer and council tax support discounts announced by Government, along with the business grant payments for eligible businesses. Information on decisions taken will be retained to enable audits to be undertaken in the future as necessary.

Additional advice and guidance was given to colleagues and the public about fraud and scams in light of emerging evidence that the pandemic was creating additional opportunities for fraudulent activity.

As a result of the social distancing and lockdown requirements, the Government issued regulations enabling virtual meetings to allow council business to continue during the period that restrictions are in place.

During the national response to the pandemic, the Government issued funding to support councils, as well as introducing a reporting mechanism for councils to indicate the extent of funding pressures arising from the pandemic (which, as well as the additional costs incurred in responding, included loss of income from leisure facilities, car parking and investments). The ongoing funding and logistical consequences of delivering the local government response will need to be closely monitored over coming months, and the impact on service delivery and resources assessed and regularly reviewed to ensure that the statutory requirement for annual balanced budgets is maintained.

An additional action has been added to the action plan for 2020/21, once the initial response to the pandemic has been delivered, to assess the longer term disruption and consequences arising from the pandemic.

Key area for 2020/21	Lead Officer	To be delivered by
Assess the longer term disruption and consequences arising from the pandemic and review lessons learned	CMT	March 2021

Councillor Paul Skinner, Leader of the Council: 

Rob Barlow, Chief Executive:   
Signed on behalf of Boston Borough Council

## 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](http://www.boston.gov.uk/governance).

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

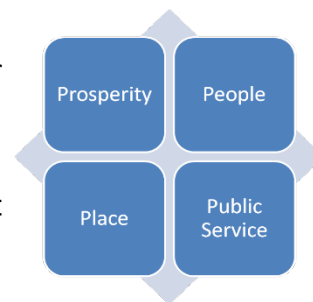
<b>Principle D: Interventions</b>	<b>Principle E: Capacity</b>	<b>Principle F: Risk &amp; performance</b>	<b>Principle G: Transparency</b>
<i>How we do this:</i>	<i>How we do this:</i>	<i>How we do this:</i>	<i>How we do this:</i>
Scrutiny and decision making	Councillor Development Group	Effective risk, performance and financial arrangements	Publication of transparency information
Committee report template – updated in 19/20	Learning and development plans	AGC, external and internal audit	Freedom of Information
Systems and procedures e.g. equality, project management, service planning	Induction	Compliance with audit, finance and fraud requirements	Committee reports and information published online
Social value in Contract Procedure Rules	Efficient systems and technology	Information management and privacy impact assessments	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.



A refresh of the Corporate Plan is currently underway.

#### 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 Finance 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. PERFORMANCE OUTCOMES AND VALUE FOR MONEY

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.

### Performance outcomes:

#### Areas of success / improvement in Quarter 3 2019/20

- Planning performance is better than target. The Government tracks planning performance over a cumulative 2 year period. Boston's performance is currently at 85% for majors (against a minimum standard of 60%) and 77% for minors and others (against a minimum standard of 70%) – a significant improvement on performance at the same time last year.
- 52 businesses were visited to support business growth (compared to a target of 38).
- The percentage of abandoned calls to switchboard was below target (6% compared to 15%)
- Benefit and Council Tax Support (CTS) processing times are consistently better than target.
- Average time taken to respond to information requests is better than target with an average of 9 working days against the statutory deadline of 20 working days.
- Gym membership at Geoff Moulder Leisure Centre is better than target. Commercial offers have been successful in increasing memberships from 968 last year to 1,485 against a target of 1,350.
- Event income is over 40% above target (£19,166 against a target of £13,530) with excellent feedback, in particular for the festive events
- 98.28% of food businesses are 'broadly compliant' with hygiene legislation (i.e. rated 3, 4 or 5) against a target of 95%.
- Commercial waste income is 32% higher than last year and customer numbers 30% higher.
- Car parking income from both ticket sales and permits is better than target.
- 246 housing completions compared to a target of 233.
- The number of non-local authority owned empty properties returned into occupation is better than target (actual 75 against a target of 45).

#### Update against areas of concern / watching brief from last year

- Housing standards was below target last year. Performance is now above target at 112 homes with improved housing standards compare to a target of 75.
- Rough sleepers was an area of focus last year. Several new projects are underway and progressing well.
- Household waste reused, recycled and composted was worse than target last year. The Lincolnshire Waste Partnership are continuing to work on projects including the card and paper trial and social media campaigns.
- Fly tipping and environmental crime enforcement was an area of focus last year. A new contract is in place and Scrutiny are holding an Inquiry Evening on 9 March 2020 to view data trends in more detail than the quarterly reporting.
- Retail voids in the town was an area of interest last year. The Boston Town Deal Bid is looking at wider town centre issues, including retail: <https://www.bostontowndeal.co.uk/>

#### Performance: Areas of concern / watching brief 2019/20

- Household waste reused, recycled and composted continues to be worse than target which continues to reflect the regional and national trend. See progress above.
- Market income continues to be below target. Markets will be reviewed as part of the Transformation Plan to review options to address this. Further work is being done around promotion and trying to drive footfall which in turn should provide additional income for traders.

## Summary of strategic risks

Corporate Priority	Risk Name	Risk Owner	Risk Score	Risk Rating	Management Assurance (RAG)
1: Prosperity	Flood risk	Michelle Sacks	8	Medium	Amber
	Growth and local economy	Michelle Sacks	9	Medium	Green
	Local Plan	Michelle Sacks	6	Medium	Amber
2: People	Housing	Andy Fisher	12	High	Red
	Welfare	Paul Julian	4	Medium	Green
	Health	Phil Perry	6	Medium	Green
3: Place	Town Centre	Phil Perry	6	Medium	Green
4: Public Service	Population change	Andy Fisher	6	Medium	Green
	Budget	Paul Julian	12	High	Amber
	Capacity	Phil Drury	6	Medium	Green
	Transformation Programme	Paul Julian	6	Medium	Amber
	Brexit	Paul Julian	9	Medium	Green
Overall	Civil contingency risks	Andy Fisher	8	Medium	Green
	Compliance	Michelle Sacks	6	Medium	Green
	Reputation	Phil Drury	6	Medium	Green

The strategic risks are reported quarterly to AGC.

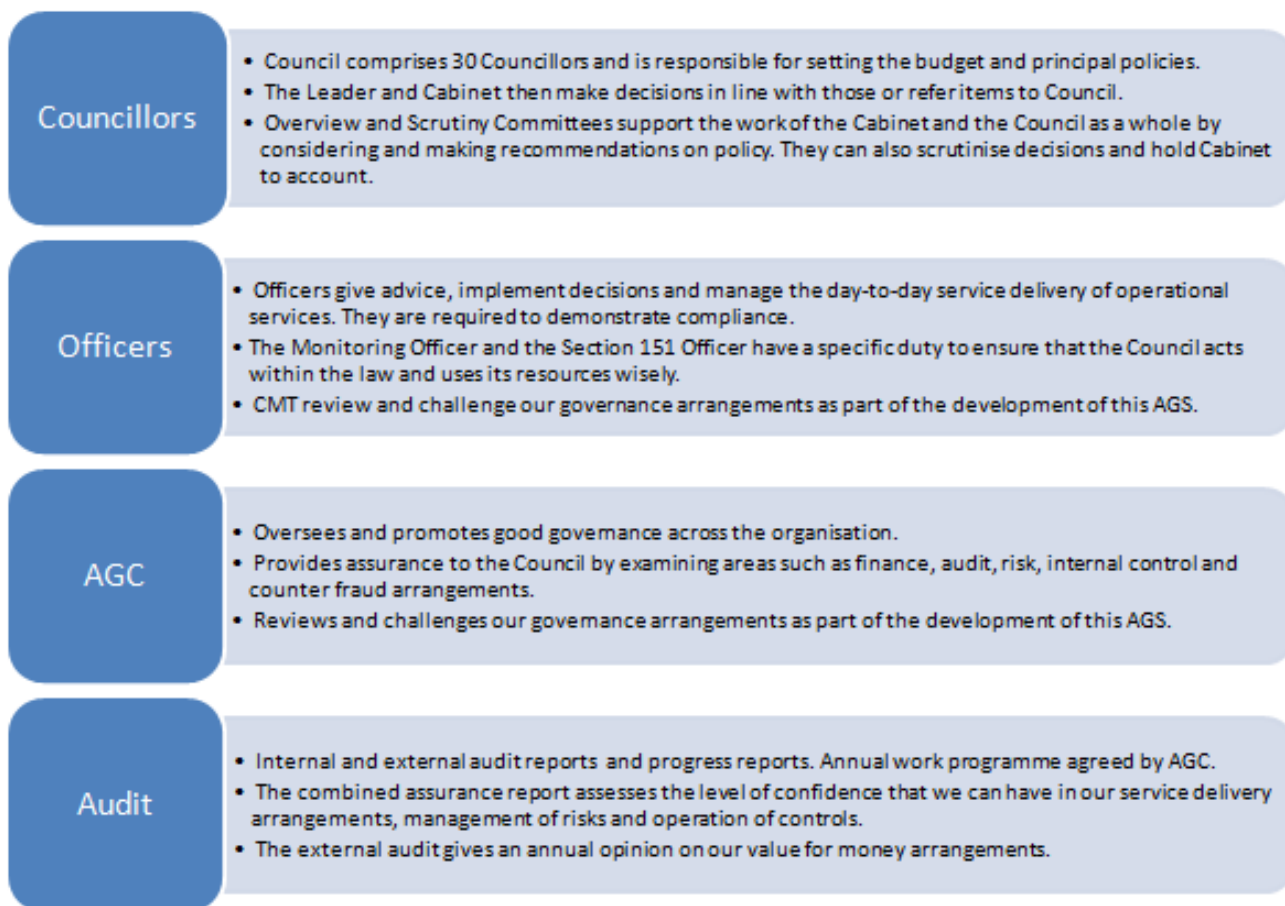
During 2019/20, the Local Plan strategic risk has been removed as the Local Plan itself has been delivered. Operational risks remain but the overall strategic risk of not delivering the Plan is no longer relevant. The total risk scores for population change and the Transformation Programme have reduced but the overall risks remains medium.

The strategic risks will be reviewed alongside the refresh of the Corporate Plan in 2020/21.

### Value for money (VFM):

The latest Annual Audit Letter was reported to AGC in September 2019. The Council's external auditors issued an unqualified opinion on the audit of the Council's 2018/19 financial statements. The auditors also issued an unqualified conclusion on the Council's arrangements to secure value for money for 2018/19. This means they are satisfied that during the year the Council had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources. To arrive at their conclusion the auditors looked at the Council's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties. They did not identify any significant matters which prevented them from giving an unqualified VFM conclusion.

## 5. HOW DO WE KNOW OUR ARRANGEMENTS ARE WORKING?



### Internal Audit:

- Internal Audit produced a combined assurance status report and update report in March 2020. Assurance is obtained from Management, Corporate and third party and Internal audit.
- An assessment of all critical activities indicates that Red Assurance is down from 1% to 0%, Amber Assurance is up from 8% to 14% and Green Assurance is down from 91% to 86%
- Management summary: Overall Boston continues to perform well in tough financial circumstances. Excellent standards of financial management and governance are externally recognised, as is delivery judged by our Peers. There is a strong focus on the amber sections highlighted. These can be broadly identified in the areas of income generation (GMLC, Markets), recruitment of specialist staff (Housing) and a focus on specific investment needs during 2020/21 (Crematorium, Housing and IT).
- Internal Audit summary: The Combined Assurance results continue to be encouraging; the Council is maintaining a high level of Green assurance and there are no Red assurance areas this year, however some Amber areas are key and CMT should maintain focus on these.
- At the end of February 2020, the Internal Audit Plan was 89% complete, which was on target. 10 audits were completed and reported to AGC in 2019/20 – 6 with high assurance and 4 with substantial assurance (assurance rating: high; substantial; limited; low)
- There were two high audit recommendations in 2019/20 – to carry out an equality analysis and compliance check of the Council's website. These will both be actioned in 2020/21.

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)
- Data Protection Act 2018
- 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
- External Audit
- Head of Paid Service
- Internal Audit
- Monitoring Officer
- Scrutiny Committees and call-in
- Section 151 Officer
- VFM conclusion

#### Policies & Procedures

- Advisory notices
- 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 and engagement
- Corporate Plan – vision and priorities
- Effective working relationships
- Efficient systems and technology
- Equality Analysis
- Financial Regulations and Contract Procedure Rules
- Forward Plan of key decisions
- 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 liaison
- People policies and recruitment
- Performance and risk management
- Privacy notices and assessments
- Record of Processing Activity (RoPA)
- Shared values
- Social value in Contract Procedure Rules
- Transformation Programme
- Transparency data published
- Website and social media
- Whistleblowing Policy

## 6. LOOKING BACK ON 2019/20

Actions from last year	Lead officer	Progress
Post-election training and development for Members	Michelle Sacks / Katharine Nundy	Training and development successfully completed after the election; continued progress via the Councillor Development Group
Development of a new Corporate Plan and refresh of the Transformation Programme	Katharine Nundy / Paul Julian	Transformation Programme refresh completed; consultation on corporate priorities completed and refresh of Corporate Plan currently underway
Implementation of code of conduct arrangements	Michelle Sacks	Work ongoing on the Member Code of Conduct led by AGC

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

- The Annual Fraud Performance Report was presented to AGC in May 2019
- The Annual Treasury Management Report was also presented to AGC in May 2019
- Annual Committee reports to Full Council in July 2019
- Transformation Programme refresh agreed by Full Council in September 2019
- Fund Manager presentation to AGC in November 2019
- Executive/Scrutiny Protocol agreed by Full Council in December 2019
- Local Government Association (LGA) Corporate Peer Challenge in September 2019 – report to Full Council and emerging action plan agreed in December 2019:  
<https://moderngov.boston.gov.uk/ieListDocuments.aspx?CId=132&MId=1488&Ver=4>
- Climate Change Working Group – report to Full Council in January 2020
- Boston Town Deal Bid: <https://www.bostontowndeal.co.uk/>



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOSTON BOROUGH COUNCIL

## Report on the financial statements

### Opinion

We have audited the financial statements of Boston Borough Council ('the Council') for the year ended 31 March 2020, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements:

- give a true and fair view of the financial position of the Council as at 31<sup>st</sup> March 2020 and of its 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 2019/20.

### Basis for qualified opinion

Included in the carrying value of the Council's long-term borrowing in the balance sheet of £16.4m as at 31st March 2020, is £1m of Other Market Debt as described at Note 19. The audit evidence available to us for this Other Market Debt was limited because we were unable to obtain sufficient assurance over the existence and valuation of the loan as at 31 March 2020, including being unable to obtain direct confirmation from the lender leading to a potential overstatement of long term borrowing by £1m.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of property, plant and equipment, investment assets and pension fund property assets

We draw attention to note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's property, plant and equipment, investment properties and the valuation of the Council's share of Lincolnshire Pension Fund's property investment assets. As disclosed in note 4 of the financial statements, the Council's and Pension Fund's valuers included a 'material valuation uncertainty' declaration within their report as a result of the Covid-19 pandemic. Our opinion is not modified in respect of this matter.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officers' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Other information**

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Responsibilities of the Chief Finance Officer for the financial statements**

As explained more fully in the Responsibilities of the Chief Finance Officer, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Director of Resources is also responsible for such internal control as the Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

## **Auditor's responsibilities for the audit of the financial statements**

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Matters on which we are required to report by exception under the Code of Audit Practice**

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

## **Conclusion on Boston Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Boston Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

### **Basis for conclusion**

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether the 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 in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

### **Responsibilities of the Council**

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

### **Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

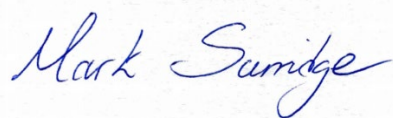
We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Use of the audit report**

This report is made solely to the members of Boston Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council 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 Council, as a body, for our audit work, for this report, or for the opinions we have formed.

## Certificate

We certify that we have completed the audit of Boston Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

A handwritten signature in blue ink that reads "Mark Surridge". The signature is written in a cursive style with a large initial 'M' and 'S'.

Mark Surridge  
For and on behalf of Mazars LLP

45 Church Street  
Birmingham  
B3 2RT

12 May 2021

# **STATEMENT OF ACCOUNTS 2019/20**

## 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'S 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 2020.



Adrian Sibley  
Section 151 Officer  
9th November 2020

### FORMAL APPROVAL

I confirm that the Statement of Accounts was approved by the Audit and Governance Committee at its meeting held on 9<sup>TH</sup> November 2020.

Signed on behalf of Boston Borough Council



Councillor Tom Ashton  
Chairman of the Audit and Governance Committee  
9<sup>th</sup> November 2020

## 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 (Note 7, page 48) and in the Movement in Reserves Statement (page 28).

2018/19 (Re-analysed*)				2019/20		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
1,192	(17)	1,175	Chief Executive	804	(56)	748
1,893	(560)	1,333	Deputy Chief Executive	1,991	(1,032)	959
19,392	(17,726)	1,666	Chief Finance Officer	17,221	(15,352)	1,869
-	-	-	Head of Corporate Services	-	-	-
3,746	(2,341)	1,405	Head of Regulatory Services	4,103	(2,159)	1,944
-	-	-	Marginal Viability Fund	3,052	(3,052)	-
3,535	(1,868)	1,667	Head of Operations	3,862	(1,987)	1,875
4,875	(2,740)	2,135	Head of Place and Space	5,058	(2,654)	2,404
<b>34,633</b>	<b>(25,252)</b>	<b>9,381</b>	<b>Cost of Services</b>	<b>36,091</b>	<b>(26,292)</b>	<b>9,799</b>
2,344	(6)	2,338	Other operating income and expenditure (Note 11)	2,306	(4)	2,302
3,198	(2,634)	564	Financing and investment income and expenditure (Note 12)	3,865	(3,021)	844
7,997	(19,881)	(11,884)	Taxation and non-specific grant income and expenditure (Note 13)	5,288	(15,083)	(9,795)
<b>48,172</b>	<b>(47,773)</b>	<b>399</b>	<b>Deficit on Provision of Services</b>	<b>47,550</b>	<b>(44,400)</b>	<b>3,150</b>
		(1,970)	(Surplus) or deficit on revaluation of property, plant and equipment			(2,465)
		2,033	Remeasurement of the net defined benefit liability			(5,078)
		63	<b>Other Comprehensive Income and Expenditure</b>			<b>(7,543)</b>
		<b>462</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(4,393)</b>

\* During 2019/20, the Head of Corporate Services role was amended to Associate Head of Service, with a reduction in working hours and a realignment of service responsibilities between other Corporate Management Team members. 2018/19 figures have been re-analysed to assist comparison.

## 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.

Current Year 2019/20	General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Boston Town Area Committee £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
<b>Balance at 31 March 2019</b>	(2,000)	(10,519)	(239)	(752)	(269)	(13,779)	(4,095)	(17,874)
<b>Movement in Reserves during 2019/20</b>								
Total comprehensive income and expenditure	3,150	-	-	-	-	3,150	(7,543)	(4,393)
Adjustments between accounting basis and funding basis under regulations (Note 9)	(5,888)	-	-	10	-	(5,878)	5,878	-
<b>(Increase)/decrease for year</b>	<b>(2,738)</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>(2,728)</b>	<b>(1,665)</b>	<b>(4,393)</b>
Transfer to/(from) earmarked reserves	2,830	(2,830)	-	-	-	-	-	-
Transfer to/(from) other reserves	(92)	-	-	-	92	-	-	-
<b>Balance at 31 March 2020</b>	<b>(2,000)</b>	<b>(13,349)</b>	<b>(239)</b>	<b>(742)</b>	<b>(177)</b>	<b>(16,507)</b>	<b>(5,760)</b>	<b>(22,267)</b>

Comparative Year 2018/19	General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Boston Town Area Committee £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
<b>Balance at 31 March 2018</b>	(2,000)	(8,741)	(239)	(768)	(286)	(12,034)	(6,302)	(18,336)
<b>Movement in Reserves during 2018/19</b>								
Total comprehensive income and expenditure	399	-	-	-	-	399	63	462
Adjustments between accounting basis and funding basis under regulations (Note 9)	(2,160)	-	-	16	-	(2,144)	2,144	-
<b>(Increase)/decrease for 2018/19</b>	<b>(1,761)</b>	<b>-</b>	<b>-</b>	<b>16</b>	<b>-</b>	<b>(1,745)</b>	<b>2,207</b>	<b>462</b>
Transfer to earmarked reserves	1,778	(1,778)	-	-	-	-	-	-
Transfer from other reserves	(17)	-	-	-	17	-	-	-
<b>Balance at 31 March 2019</b>	<b>(2,000)</b>	<b>(10,519)</b>	<b>(239)</b>	<b>(752)</b>	<b>(269)</b>	<b>(13,779)</b>	<b>(4,095)</b>	<b>(17,874)</b>



## 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. The second category of reserves are those that the Council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses, 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 2019 £'000		Note	31 March 2020 £'000
34,026	Property, plant and equipment	16	35,193
1,604	Heritage assets	17	1,569
4,407	Investment property	18	4,457
105	Intangible assets		102
20,627	Long-term investments	19	19,599
45	Long-term debtors		42
<b>60,814</b>	<b>Total Long-term Assets</b>		<b>60,962</b>
7,934	Short-term investments	19	9,968
4,461	Short-term debtors	21	3,005
3,524	Cash and cash equivalents	23	5,126
<b>15,919</b>	<b>Total Current Assets</b>		<b>18,099</b>
(334)	Cash and cash equivalents – bank overdraft	23	(129)
(107)	Short-term borrowing		(107)
(3,844)	Short-term creditors	24	(5,176)
(540)	Provisions	25	(540)
-	Grants receipts in advance - revenue		-
(73)	Grants receipts in advance - capital		-
<b>(4,898)</b>	<b>Total Current Liabilities</b>		<b>(5,952)</b>
(16,449)	Long-term borrowing		(16,449)
(37,512)	Other long-term liabilities		(34,393)
<b>(53,961)</b>	<b>Total Long-term Liabilities</b>		<b>(50,842)</b>
<b>17,874</b>	<b>Net assets</b>		<b>22,267</b>
(13,779)	Usable reserves	26	(16,507)
(4,095)	Unusable reserves	27	(5,760)
<b>(17,874)</b>	<b>Total Reserves</b>		<b>(22,267)</b>

## 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.

2018/19 £'000		2019/20 £'000
(399)	Net (deficit) on the provision of services	(3,150)
4,118	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 28)	8,584
(808)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 28)	(3,826)
<b>2,911</b>	<b>Net cash flows from operating activities</b>	<b>1,608</b>
(19,215)	Net cash flows from investing activities (Note 29)	1,383
14,873	Net cash flows from financing activities (Note 30)	(1,184)
<b>(1,431)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,807</b>
<b>4,621</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>3,190</b>
<b>3,190</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 23)</b>	<b>4,997</b>

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

#### General Principles

This Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Council is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015, which must 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 2019/20, supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts has been prepared on a 'going concern' basis. 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.

#### Accruals of Income and Expenditure

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

- revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;
- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are not carried as inventories on the Balance Sheet due to their immateriality;
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

#### Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 1 month or less at the 31 March and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

#### Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses, and amortisation are therefore replaced by a Minimum Revenue Provision (MRP) contribution in the General Fund balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **Contingent Assets**

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

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

### **Contingent Liabilities**

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

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

### **Council Tax and Non-Domestic Rates**

Boston Borough Council, as billing authority, acts as an agent, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as a principal, collecting council tax and NDR for itself. The Council is required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors, and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

#### *Accounting for Council Tax and NDR*

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

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

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

## **Employee Benefits**

### ***Benefits payable during employment***

Short-term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and charged on an accruals basis to the relevant service segment line in the Comprehensive Income and Expenditure Statement.

### ***Termination Benefits***

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

### ***Post-Employment Benefits***

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

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

- the liabilities of the Lincolnshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees;
- liabilities are discounted to their value at current prices, using a discount rate of 2.3% (based on the indicative rate of return on high quality corporate bond). For comparison, 2.4% was used in 2018/19;
- the assets of the Lincolnshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unlisted securities – current bid price
  - property – market value.

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

#### *Service cost comprising:*

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

*Remeasurements comprising:*

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

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

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

### ***Discretionary Benefits***

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

### **Events after the Reporting Period**

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

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

Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

### **Fair Value Measurement of Non-Financial Assets**

The Council's accounting policy for fair value measurement of financial assets is set out in the policy on financial instruments on pages 39-40. The Council also measures some of its non-financial assets such as investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

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

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

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

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

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

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

## **Financial Instruments**

### ***Financial Liabilities***

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

For the Council's long-term borrowing, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and the interest charged to the CIES is the amount payable for the year according to the loan agreement.

### ***Financial Assets***

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The Council holds financial assets measured at:

- amortised cost;
- fair value through profit or loss (FVPL), and

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

#### *Financial Assets Measured at Amortised Cost*

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the financing and investment income and expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

### *Expected Credit Loss Model*

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

### *Financial Assets Measured at Fair Value through Profit or Loss*

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the surplus or deficit on the provision of services. However, in November 2018 the Ministry of Housing, Communities and Local Government (MHCLG) granted a 5-year statutory override that permits fair value gains and losses to be reversed out in the Movement in Reserves Statement.

Annual credits for income receivable is credited to the financing and investment income and expenditure line in the CIES.

### *Fair Value Measurement of financial Assets*

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the Council's financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

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

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the financing and investment income and expenditure line in the CIES.



## **Government Grants and Contributions**

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and non-specific grant income and expenditure (non-ring fenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## **Heritage Assets**

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. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant, and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

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

### ***Civic Regalia***

The Council's Civic Regalia was last valued by Bonham's in January 2017 and was based on its insurance valuation as a proxy for market value. Civic Regalia are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

### ***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 museum collection is deemed to have indeterminate lives and a high residual value; hence, the Council does not consider it appropriate to charge depreciation.

### ***Other Ancient Monuments and Heritage Sites in the Boston Area***

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.

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

### ***Heritage Assets – General***

The carrying amounts of heritage assets are reviewed where there is evidence of impairments for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. Items are rarely disposed of however in such circumstances the proceeds are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

### **Intangible Assets**

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

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

- Computer software and licences – straight-line basis over a maximum of five years.

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

## **Investment Property**

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

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

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

## **Leases**

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

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

The Council has no finance lease commitments as at 31 March 2020.

### ***The Council as Lessee – Operating Leases***

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

### ***The Council as Lessor - Operating Leases***

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset //is retained in the Balance Sheet. Rental income is credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## **Material Items of Income or Expense**

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

## **Overheads and Support Services**

Following revisions to the Accounting Code, the cost of overheads and support services are not charged to service segments, within the Financial Statements, in accordance with the Council's arrangements for accountability and financial performance. However, they are apportioned to comply with the requirements of various government returns.

## **Prior period adjustments, changes in accounting policies and estimates and errors**

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

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

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

## **Property, Plant and Equipment**

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

### ***Recognition***

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

### ***Measurement***

Assets are initially measured at cost, comprising:

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

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

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

The de-minimus limit for land and buildings is £10,000 and £5,000 for equipment. Items below this level are charged to revenue in year of acquisition.

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

- infrastructure, community assets and assets under construction – depreciated historical cost;
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective;
- operational heritage asset – Guildhall, Boston – depreciated replacement cost as the asset is of a specialist nature;
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

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

### ***Impairment***

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

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

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

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

## **Depreciation**

Depreciation is provided for on all property, plant, and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life i.e. freehold land and assets that are not yet available for use i.e. assets under construction. Newly acquired assets are first depreciated in the year following their acquisition.

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant and equipment – straight-line allocation, normally over five to ten years, determined by the manager of the relevant section which derives service benefit from the asset.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Materiality levels have been assessed and based on gross carrying values, componentisation for secondary components will only be undertaken where the buildings value exceeds £0.5m and when the triggers for componentisation are present – i.e. revaluation or enhancement expenditure incurred after 1 April 2010.

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

## **Disposals and Non-current Assets held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating income and expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the surplus or deficit on the provision of services. Depreciation is not charged on assets held for sale.

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

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

## **Provisions**

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

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

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

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

## **Reserves**

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

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

## **Revenue Expenditure Funded from Capital under Statute**

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

## **Value Added Tax (VAT)**

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

## **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 2020/21 (the Code) has introduced changes to accounting standards, which will be required from 1 April 2020.

- annual Improvements to IFRS Standards 2015–2017 Cycle
- amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

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 Note 1 the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the 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 Fairer Funding and Spending Reviews. Government have proposed that Councils will get to keep 75% of business rates income in the future, 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 40 page 90, estimates the likely impact of changes to the assumptions used when reporting the pension liability.
- At this stage in the response to the Covid-19 pandemic, it is difficult to assess the longer term nature of ongoing impacts of the virus upon the Council. Regular monitoring will be undertaken and reported as appropriate, and future years' Accounts will reflect the situation as it is known at that time.
- 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.

The items in the Council's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

##### **Property, Plant and Equipment – Property Assets - Carrying Value at 31 March 2020 £34.260m Investment Property - Carrying Value at 31 March 2020 £4.457m**

The Council's property assets, categorised under Property, Plant and Equipment, are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £107,000 for every year that useful lives had to be reduced.

In addition, Covid-19 has impacted in global financial markets and market activity is being impacted in many sectors. This has resulted in difficulties in attaching weight to previous market evidence for comparison purposes, to inform opinions of value. The property valuations have therefore been reported by our valuers on the basis of 'material valuation uncertainty' as per VPS3 and VPGA 10 of the RICS Red Book Global. The valuations therefore have less certainty and should be viewed with a higher degree of caution than what would normally be the case.

##### **Business Rates Appeals Provision - Carrying Value of Boston Borough Council's Share at 31 March 2020 £0.540m**

Since the introduction of the Business Rate Retention Scheme effective from 1 April 2013, local authorities need to account for any reduction in Business Rates income and repayment to ratepayers, in respect of successful appeals against business rates for the current and earlier years. A provision has been made in the accounts based on the best estimate of the amount that the Council might need to repay as a result of successful appeals up to 31 March 2020. For appeals already lodged, this estimate has been calculated using the latest Valuation Office Agency list of outstanding appeals with an assessment being made of the likely impact of those appeals, taking into account past national decisions together with any specific/local implications. An assessment has been undertaken by an external provider and reviewed by officers to reflect local circumstances. A three-stage appeals process was introduced on 1 April 2017, for appeals against the 2017 rating list. The Council has received notice of determination of very few appeals lodged against the 2017 rating list; therefore, this element of the provision has been made based on officers' views of an external assessment of the potential losses arising as a result of yet to be determined appeals being successful.

The Council's share of the provision as at 31 March 2020 (for 2019/20, 40% of £1.350m) is £0.540m.

##### **Net Pensions Liability- Carrying Value at 31 March 2020 £34.393m**

The estimation of the net liability at 31 March 2020 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 2019/20, the actuaries advised that the net pensions liability had decreased by £3.119m. This is made up of:

- £5.078m actuarial gain

- £1.959m loss arising from employer contributions of £1.598m being less than the pension obligations of £3.557m.

### **Pension Fund Property Investment Assets – Carrying Value at 31 March 2020 £4.278m**

The Council's net pension liability included in our balance sheet and disclosed at note 40 includes an estimate of the total value of the Council's share of the Lincolnshire Pension Fund investment assets. The valuation of the Fund's Property investment assets has been impacted by Covid-19 and reported on the basis of 'material valuation uncertainty' as per the requirements of VPGA 10 of the RICS Red Book Global. Consequently less certainty and a higher degree of caution should be attached to the Council's share of these Pension Fund assets. The Council's actuary has estimated that the value of the Council's share of these Pension Fund Property investment assets at 31 March 2020 was £4.278m.

### **Debt Impairment for Housing Benefit Overpayments - Carrying Value at 31 March 2020- £2.360m**

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 2020 the Council had a balance on housing benefit overpayments of £2.712m. An officer review suggested that an impairment of doubtful debts of 87% (£2.360m) was appropriate; this being due to risks regarding the Council's ability to reclaim overpayments in the future, once the responsibility for housing benefit has been transferred to the Department for Work and Pensions.

### **Fair Value Measurements - Carrying Values at 31 March 2020 Investment Properties £4.457m; Property Fund Holdings £19.599m**

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

Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example investment properties, the external valuer provides the relevant figures).

Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 19 and 20.

## **5. MATERIAL ITEMS OF INCOME AND EXPENSE**

There are no such items in the 2019/20 Comprehensive Income and Expenditure Statement.

## **6. EVENTS AFTER THE REPORTING PERIOD**

The Pre-Audit Statement of Accounts was authorised for issue by the Chief Finance Officer on 26 May 2020. 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 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 7. EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, 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 are presented more fully in the Comprehensive Income and Expenditure Statement.

2018/19 (Re-Analysed)				2019/20		
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
731	444	1,175	Chief Executive	689	59	748
936	397	1,333	Deputy Chief Executive	832	127	959
1,416	250	1,666	Chief Finance Officer	1,660	209	1,869
-	-	-	Head of Corporate Services	-	-	-
1,195	210	1,405	Head of Regulatory Services	1,556	388	1,944
1,221	446	1,667	Head of Operations	1,264	611	1,875
422	1,377	1,799	Head of Place and Space	382	1,610	1,992
287	49	336	Boston Town Area Committee	436	(24)	412
<b>6,208</b>	<b>3,173</b>	<b>9,381</b>	<b>Net Cost of Services</b>	<b>6,819</b>	<b>2,980</b>	<b>9,799</b>
2,884	(546)	2,338	Other operating income and expenditure	2,848	(546)	2,302
(765)	1,329	564	Financing and investment income and expenditure	(1,059)	1,903	844
(10,088)	(1,796)	(11,884)	Taxation and non-specific grant income and expenditure	(11,346)	1,551	(9,795)
<b>(1,761)</b>	<b>2,160</b>	<b>399</b>	<b>(Surplus)/Deficit</b>	<b>(2,738)</b>	<b>5,888</b>	<b>3,150</b>
			<b>Opening General Fund Balance (including Earmarked Reserves)</b>	<b>(12,788)</b>		
<b>(11,027)</b>			(Surplus)/ deficit on General Fund Balance in year	<b>(2,738)</b>		
<b>(1,761)</b>			<b>Closing General Fund Balance, Earmarked Reserves and BTAC</b>	<b>(15,526)</b>		
<b>(12,788)</b>						

## Adjustments between Funding and Accounting Basis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2019/20			
	Adjustments for Capital Purposes £'000	Net Change for Pensions Adjustments £'000	Other Adjustments £'000	Total Adjustments £'000
Chief Executive	-	58	1	59
Deputy Chief Executive	15	111	1	127
Chief Finance Officer	55	151	3	209
Head of Corporate Services	-	-	-	-
Head of Regulatory Services	121	264	3	388
Marginal Viability Fund	-	-	-	-
Head of Operations	342	266	3	611
Head of Place and Space	1,437	170	3	1,610
Boston Town Area Committee	44	25	(93)	(24)
<b>Net Cost of Services</b>	<b>2,014</b>	<b>1,045</b>	<b>(79)</b>	<b>2,980</b>
Other operating income and expenditure	(546)	-	-	(546)
Financing and investment income and expenditure	989	914	-	1,903
Taxation and non-specific grant income and expenditure	(133)	-	1,684	1,551
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services</b>	<b>2,324</b>	<b>1,959</b>	<b>1,605</b>	<b>5,888</b>

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2018/19 (Re-Analysed)			
	Adjustments for Capital Purposes £'000	Net Change for Pensions Adjustments £'000	Other Adjustments £'000	Total Adjustments £'000
Chief Executive	-	447	(3)	444
Deputy Chief Executive	311	81	5	397
Chief Finance Officer	79	163	8	250
Head of Corporate Services	-	-	-	-
Head of Regulatory Services	1	196	13	210
Head of Operations	267	179	-	446
Head of Place and Space	1,249	128	-	1,377
Boston Town Area Committee	39	9	1	49
<b>Net Cost of Services</b>	<b>1,946</b>	<b>1,203</b>	<b>24</b>	<b>3,173</b>
Other operating income and expenditure	22	-	-	22
Financing and investment income and expenditure	(123)	884	-	761
Taxation and non-specific grant income and expenditure	(80)	-	(1,716)	(1,796)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services</b>	<b>1,765</b>	<b>2,087</b>	<b>(1,692)</b>	<b>2,160</b>

## 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 the use of revenue balances to finance capital expenditure are deducted, as these are not chargeable under generally accepted accounting practices. This line also includes revaluation adjustments relating to Investment Properties and fair value movements on Property Fund holdings.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. 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 Adjustments

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.

## 8. SEGMENTAL INCOME

Income received on a segmental basis is analysed below:

Service Segment	Income Area	2018/19 Income from Services £'000	2019/20 Income from Services £'000
Head of Regulatory Services	Building Control	(130)	(140)
Head of Regulatory Services	Planning	(417)	(501)
Head of Regulatory Services	Land Charges	(89)	(75)
Head of Regulatory Services	Licensing	(148)	(135)
Head of Operations	Garden Waste	(400)	(407)
Head of Operations	Bereavement	(807)	(827)
Head of Operations	Trade Waste	(213)	(282)
Head of Place and Space	Parking	(1,013)	(1,035)
Head of Place and Space	Markets	(143)	(118)
Head of Place and Space	Leisure	(796)	(789)
<b>Total Income analysed on a segmental basis</b>		<b>(4,156)</b>	<b>(4,309)</b>

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

### Capital Receipts Reserve

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

### Capital Grants Unapplied

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

2019/20	Usable Reserves			Unusable Reserves £'000	Total £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000		
<b>Adjustments to the Revenue Resources</b>					
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	(1,959)	-	-	1,959	-
Movement in the fair value of property funds	(1,028)	-	-	1,028	-
Council tax and business rates	(1,683)	-	-	1,683	-
Holiday pay	14	-	-	(14)	-
Movement in the market value of Investment Property	38	-	-	(38)	-
Capital grants and contributions applied to capital financing	3,816	-	-	(3,816)	-
Capital grants and contributions not applied to capital financing	10	-	(10)	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	(5,711)	-	-	5,711	-
<b>Total Adjustments to Revenue Resources</b>	<b>(6,503)</b>	<b>-</b>	<b>(10)</b>	<b>6,513</b>	<b>-</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Statutory provision for the repayment of debt	65	-	-	(65)	-
Capital expenditure financed from revenue balances	550	-	-	(550)	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>615</b>	<b>-</b>	<b>-</b>	<b>(615)</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>					
Application of capital grants to finance capital expenditure	-	-	20	(20)	-
<b>Total Adjustments</b>	<b>(5,888)</b>	<b>-</b>	<b>10</b>	<b>(5,878)</b>	<b>-</b>

Comparative figures 2018/19	Usable Reserves		
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000
<b>Adjustments to the Revenue Resources</b>			
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	(2,087)	-	-
Movement in the fair value of property funds	(473)	-	-
Council tax and business rates	1,717	-	-
Holiday pay	(24)	-	-
Movement in the market value of Investment Property	13	-	-
Capital grants and contributions applied to capital financing	655	-	-
Capital grants and contributions not applied to capital financing	153	-	(153)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	(2,697)	-	-
<b>Total Adjustments to Revenue Resources</b>	<b>(2,743)</b>	<b>-</b>	<b>(153)</b>
<b>Adjustments between Revenue and Capital Resources</b>			
Statutory provision for the repayment of debt	15	-	-
Capital expenditure financed from revenue balances	568	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>583</b>	<b>-</b>	
<b>Adjustments to Capital Resources</b>			
Application of capital grants to finance capital expenditure	-	-	169
<b>Total Adjustments</b>	<b>(2,160)</b>	<b>-</b>	<b>16</b>



## 10. MOVEMENTS IN EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2019/20.

Reserve	Balance at 1 April 2018 £'000	Transfers In 2018/19 £'000	Transfers Out 2018/19 £'000	Balance at 31 March 2019 £'000	Transfers In 2019/20 £'000	Transfers Out 2019/20 £'000	Balance at 31 March 2020 £'000
Capital Funding	(3,635)	(1,165)	391	(4,409)	(1,337)	163	(5,583)
Transformation Reserve	(874)	(354)	137	(1,091)	(204)	184	(1,111)
Repairs and Renewals	(714)	(50)	47	(717)	(61)	74	(704)
ICT Reserve	(397)	-	3	(394)	(37)	72	(359)
Housing Reserve	(1,153)	(332)	307	(1,178)	(353)	251	(1,280)
Controlling Migration	(489)	(531)	473	(547)	-	500	(47)
Climate Change Reserve	(150)	-	150	-	-	-	-
Insurance Reserve	(260)	(30)	-	(290)	-	-	(290)
Misc. Earmarked Reserves	(10)	-	10	-	-	-	-
Property Fund Returns Mitigation Reserve	-	(275)	-	(275)	(725)	-	(1,000)
Funding Volatility Reserve (formally Council Tax Reserve)	(1,059)	(579)	20	(1,618)	(1,433)	76	(2,975)
<b>Total</b>	<b>(8,741)</b>	<b>(3,316)</b>	<b>1,538</b>	<b>(10,519)</b>	<b>(4,150)</b>	<b>1,320</b>	<b>(13,349)</b>

## 11. OTHER OPERATING INCOME AND EXPENDITURE

2018/19 £'000		2019/20 £'000
438	Parish council precepts	404
	<b>Internal Drainage Board levies</b>	
1,044	Witham Fourth	1,055
785	Black Sluice	787
54	Welland and Deeping	56
1	South Holland	1
16	(Gains) / losses on disposal of non-current assets	(1)
<b>2,338</b>	<b>Total</b>	<b>2,302</b>

## 12. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2018/19 £'000		2019/20 £'000
250	Interest payable and similar charges	494
884	Net interest on the net defined benefit liability	914
(99)	Interest receivable and similar income	(116)
(566)	Income receivable from property fund holdings	(1,049)
473	Movement in fair value of property funds in year	1,028
(378)	Income and expenditure in relation to investment properties and changes in their fair value	(427)
<b>564</b>	<b>Total</b>	<b>844</b>

## 13. TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

2018/19 £'000		2019/20 £'000
(4,538)	Council tax income	(4,700)
	Non-domestic rates income and expenditure	
(5,346)	Retained business rates after payment of tariff	(2,666)
-	Revenue Support Grant	(342)
(1,920)	Non ring- fenced Government grants	(1,954)
(80)	Capital grants and contributions	(133)
<b>(11,884)</b>	<b>Total</b>	<b>(9,795)</b>

The reduction in 2019/20 of the income from non-domestic rates is as a consequence of the loss of the 2018/19 100% Business Rate Retention Pilot scheme that operated within the county.

## 14. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

Expenditure/Income	2018/19 £'000	2019/20 £'000
<b>Expenditure</b>		
Employee benefits expenses	10,254	10,428
Expenditure on investment property	188	134
Other service expenses	5,118	5,619
Transfer payments	16,586	14,337
Depreciation, amortisation, impairment	1,798	1,877
Revenue expenditure financed from capital under statute	877	3,830
Loss on revaluation of investment property	62	51
Loss on the fair value of property funds	552	1,028
Interest payments (including pensions interest)	2,396	1,408
Parish precepts and Internal Drainage levies	2,322	2,303
Business rates tariff	7,997	5,288
Loss on disposal of assets	22	3
<b>Total Expenditure</b>	<b>48,172</b>	<b>46,306</b>
<b>Income</b>		
Fees, charges and other service income	(6,412)	(6,715)
Income from investment property	(553)	(523)
Interest and investment income (including return on pension fund assets)	(1,927)	(1,164)
Income from sale of fixed assets	(6)	(4)
Gain from revaluation of investment property	(75)	(89)
Gain on the fair value of property funds	(79)	-
Income from council tax and non-domestic rates	(17,881)	(12,654)
Government and other grants and contributions	(20,840)	(22,007)
<b>Total Income</b>	<b>(47,773)</b>	<b>(43,156)</b>
<b>Deficit on the Provision of Services</b>	<b>399</b>	<b>3,150</b>

## 15. REVENUE FROM CONTRACTS WITH SERVICE RECIPIENTS

The value of revenue that is expected to be recognised in the future related to performance obligations that are unsatisfied (or partially satisfied) at the end of the year is:

	2018/19 £'000	2019/20 £'000
Not later than one year	127	152
Later than one year	-	-
<b>Amounts of transaction price, partially or fully unsatisfied</b>	<b>127</b>	<b>152</b>

The revenue expected to be recognised in the future relates to Planning Application income (£121k) and Building Plan Applications (£31k), where the revenue has been received in advance of the performance obligations.

The method used to recognise revenue in the year is based on an assessment of the percentage completed of the performance obligations.

## 16. PROPERTY, PLANT AND EQUIPMENT - Movements on Balances

Movements in 2019/20	Other Land and Buildings  £'000	Vehicles, Plant and Equipment  £'000	Community Assets  £'000	Surplus Assets  £'000	Total Property Plant and Equipment £'000
<b>Cost or Valuation</b>					
<b>At 1 April 2019</b>	33,096	3,542	62	74	36,774
Additions	131	384	-	-	515
Revaluation increases/decreases recognised in the Revaluation Reserve	952	-	-	6	958
De-recognition - disposals	-	(44)	-	-	(44)
Other movements	-	-	-	1	1
<b>At 31 March 2020</b>	<b>34,179</b>	<b>3,882</b>	<b>62</b>	<b>81</b>	<b>38,204</b>
<b>Accumulated Depreciation and Impairment</b>					
<b>At 1 April 2019</b>	-	(2,686)	(62)	-	(2,748)
Depreciation charge	(1,544)	(303)	-	-	(1,847)
Depreciation written out to the Revaluation Reserve	1,542	-	-	-	1,542
Depreciation written out to the Surplus/Deficit on the Provision of Services	2	-	-	-	2
De-recognition - disposals	-	40	-	-	40
<b>At 31 March 2020</b>	<b>-</b>	<b>(2,949)</b>	<b>(62)</b>	<b>-</b>	<b>(3,011)</b>
<b>Net Book Value</b>					
<b>At 31 March 2020</b>	<b>34,179</b>	<b>933</b>	<b>-</b>	<b>81</b>	<b>35,193</b>
<b>At 31 March 2019</b>	<b>33,096</b>	<b>856</b>	<b>-</b>	<b>74</b>	<b>34,026</b>

Comparative Movements in 2018/19	Other Land and Buildings	Vehicles, Plant and Equipment	Community Assets	Surplus Assets	Total Property Plant and Equipment
	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>					
<b>At 1 April 2018</b>	26,541	3,350	62	5	29,958
Additions	116	309	-	-	425
Revaluation increases/decreases recognised in the Revaluation Reserve	475	-	-	69	544
De-recognition - disposals	-	(117)	-	-	(117)
De-recognition - other	(35)	-	-	-	(35)
Assets reclassified from Heritage Assets	6,349	-	-	-	6,349
Assets reclassified to Investment Property	(350)	-	-	-	(350)
<b>At 31 March 2019</b>	<b>33,096</b>	<b>3,542</b>	<b>62</b>	<b>74</b>	<b>36,774</b>
<b>Accumulated Depreciation and Impairment</b>					
<b>At 1 April 2018</b>	-	(2,465)	(62)	-	(2,527)
Depreciation Charge	(1,469)	(333)	-	-	(1,802)
Depreciation written out to the Revaluation Reserve	1,426	-	-	-	1,426
Depreciation written out to the Surplus/Deficit on the Provision of Services	25	-	-	-	25
De-recognition - disposals	-	112	-	-	112
De-recognition - other	18	-	-	-	18
<b>At 31 March 2019</b>	<b>-</b>	<b>(2,686)</b>	<b>(62)</b>	<b>-</b>	<b>(2,748)</b>
<b>Net Book Value</b>					
<b>At 31 March 2019</b>	<b>33,096</b>	<b>856</b>	<b>-</b>	<b>74</b>	<b>34,026</b>
<b>At 31 March 2018</b>	<b>26,541</b>	<b>885</b>	<b>-</b>	<b>5</b>	<b>27,431</b>

## Depreciation

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

- Other land and buildings 1 - 67 years
- Vehicles, Plant and Equipment 1 - 9 years

Freehold land is not depreciated.

## Capital Commitments

At 31 March 2020 the Council has entered into contracts for the acquisition of eight refuse vehicles, a general purpose tractor, and Skate Park in Central Park Boston at a total estimated cost of £1,557,000.

	Vehicles, Plant and Equipment £'000
7 x 26 tonne refuse vehicles	1,184
1 x 7.5 tonne refuse vehicle	95
1 x General Purpose Tractor	43
Skate Park in Central Park, Boston	235
<b>Total Estimated Cost</b>	<b>1,557</b>

## 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 2020, incorporating the ISVC International Valuation Standards. Revaluations during 2019/20 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	-	933	-	933
Valued at current value 31 March 2020	34,179	-	81	34,260
<b>Total Cost or Valuation</b>	<b>34,179</b>	<b>933</b>	<b>81</b>	<b>35,193</b>

## 17. HERITAGE ASSETS

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

<b>2019/20</b>	<b>Cost or Valuation at 1 April 2019 £'000</b>	<b>Revaluation adjustment £'000</b>	<b>Cost or Valuation at 31 March 2020 £'000</b>
Coins and Medals	4	-	4
Art Collection	526	-	526
Silverware, Charters and Civic Regalia	679	(35)	644
Archaeology	2	-	2
Ancient Monuments and Heritage Sites in Boston	39	-	39
Social History	349	-	349
Unaccessioned Pieces	5	-	5
<b>Total</b>	<b>1,604</b>	<b>(35)</b>	<b>1,569</b>

<b>2018/19</b>	<b>Cost or Valuation at 1 April 2018 £'000</b>	<b>Re-classified in year * £'000</b>	<b>Cost or Valuation at 31 March 2019 £'000</b>
Coins and Medals	4	-	4
Art Collection	526	-	526
Silverware, Charters and Civic Regalia	679	-	679
Archaeology	2	-	2
Ancient Monuments and Heritage Sites in Boston	6,388	(6,349)	39
Social History	349	-	349
Unaccessioned Pieces	5	-	5
<b>Total</b>	<b>7,953</b>	<b>(6,349)</b>	<b>1,604</b>

\* The Guildhall, which is the town museum, tourist information centre and also available for private hire has been re-classified as an operational asset in accordance with the requirements of the CIPFA Code of Practice. This asset is now recognised under Other Land and Buildings (Note 16).

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 War Memorial in Strait Bargate, Boston is held on the balance sheet at its 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. The in-year revaluation adjustment relates to the Boston Mace for 1682 which had been on loan to the Council from the Museum of London.

### 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.

## 18. 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.

	2018/19 £'000	2019/20 £'000
Rental income from investment property	(553)	(523)
Direct operating expenses arising from investment property	188	134
Net (gains)/losses from fair value adjustments	(13)	(38)
<b>Net gain/(loss)</b>	<b>(378)</b>	<b>(427)</b>

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.

	2018/19 £'000	2019/20 £'000
Balance at start of the year	4,029	4,407
Additions		
• Subsequent expenditure	14	12
Net gains/losses from fair value adjustments	13	38
Transfers from Property, Plant and Equipment	350	-
Other Movements	1	-
<b>Balance at end of year</b>	<b>4,407</b>	<b>4,457</b>



Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2020 is as follows:

Recurring fair value measurements using:	Significant unobservable inputs (Level 3) 2018/19 £'000	Significant unobservable inputs (Level 3) 2019/20 £'000
Commercial Industrial Units	657	657
Other Commercial Property	3,750	3,800
<b>Balance at end of year</b>	<b>4,407</b>	<b>4,457</b>

### 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 2020, incorporating the ISVC International Valuation Standards. The Council's valuation experts work closely with finance officers regarding all valuation matters.

## 19. FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instruments of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

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

Financial Assets	Non-Current				Current				Total	
	Long-term Investments		Long-term Debtors		Short-term Investments		Short-term Debtors		Total	
	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000
<b>Amortised cost</b>										
Investments										
Principal	-	-	-	-	7,750	9,750	-	-	7,750	9,750
Accrued Interest	-	-	-	-	21	32	-	-	21	32
Cash and cash equivalents										
Principal	-	-	-	-	3,518	5,120	-	-	3,518	5,120
Accrued Interest	-	-	-	-	5	5	-	-	5	5
Mortgages and car loans	-	-	45	42	-	-	-	-	45	42
Trade debtors	-	-	-	-	-	-	1,541	1,468	1,541	1,468
<b>Amortised Cost Total</b>	-	-	<b>45</b>	<b>42</b>	<b>11,294</b>	<b>14,907</b>	<b>1,541</b>	<b>1,468</b>	<b>12,880</b>	<b>16,417</b>
<b>Fair Value through Profit and Loss</b>										
Property Fund Holdings										
Net Asset Value	20,627	19,599	-	-	-	-	-	-	20,627	19,599
Accrued Income	-	-	-	-	163	186	-	-	163	186
<b>Total financial Assets</b>	<b>20,627</b>	<b>19,599</b>	<b>45</b>	<b>42</b>	<b>11,457</b>	<b>15,093</b>	<b>1,541</b>	<b>1,468</b>	<b>33,670</b>	<b>36,202</b>

Financial Liabilities	Non-Current				Current				Total	
	Long-term Borrowings		Long-term Creditors		Short-term Borrowings		Short-term Creditors		Total	
	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000
Amortised cost										
External borrowing										
Principal	(16,449)	(16,449)	-	-	-	-	-	-	(16,449)	(16,449)
Accrued Interest	-	-	-	-	(107)	(107)	-	-	(107)	(107)
Bank overdraft	-	-	-	-	(334)	(129)	-	-	(334)	(129)
Trade creditors	-	-	-	-	-	-	(1,627)	(3,128)	(1,627)	(3,128)
<b>Total financial liabilities</b>	<b>(16,449)</b>	<b>(16,449)</b>	<b>-</b>	<b>-</b>	<b>(441)</b>	<b>(236)</b>	<b>(1,627)</b>	<b>(3,128)</b>	<b>(18,517)</b>	<b>(19,813)</b>

External Borrowing - Analysis	Long Term 31 March 2019 £'000	Short Term 31 March 2019 £'000	Long Term 31 March 2020 £'000	Short Term 31 March 2020 £'000
Public Works Loan Board (PWLB)	(15,449)	(107)	(15,449)	(107)
Other Market Debt	(1,000)	-	(1,000)	-
	<b>(16,449)</b>	<b>(107)</b>	<b>(16,449)</b>	<b>(107)</b>

## Income, Expense, Gains and Losses

	2018/19 Surplus or Deficit on the Provision of Services £'000	2019/20 Surplus or Deficit on the Provision of Services £'000
<b>Net gains/losses on:</b>		
Financial assets measured at fair value through profit and loss	473	1,028
<b>Interest Revenue</b>		
Financial assets measured at amortised cost	(99)	(116)
Financial assets measured at fair value through profit and loss	(566)	(1,049)
<b>Total interest revenue</b>	<b>(665)</b>	<b>(1,165)</b>
<b>Interest expense</b>	<b>250</b>	<b>494</b>

### Fair Value of Financial Assets

The Council held £19.599m in property funds at 31 March 2020 (£20.627m at 31 March 2020). 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 difference in Fair Value of £1.028m has been charged to the Capital Adjustment Account in line with the MHCLG Statutory override.

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

Except for the financial assets carried at fair value, all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB payable, PWLB prevailing rates have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the premature repayment highlighting the impact of the alternative valuation;
- For non-PWLB loans payable, prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

Liabilities	2018/19		2019/20	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Long-term borrowing				
Market Loan	(1,000)	(2,968)	(1,000)	(2,934)
PWLB	(15,556)	(16,690)	(15,556)	(15,933)
Bank Overdraft	(334)	(334)	(129)	(129)
Short-term creditors	(1,627)	(1,627)	(3,128)	(3,128)
	<b>(18,517)</b>	<b>(21,619)</b>	<b>(19,813)</b>	<b>(22,124)</b>

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to lenders above current market rates.

The fair value of PWLB loans of £15.933m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty Interest rates. A supplementary measure of the fair value as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £15.556m would be valued at £15.933m. But, if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £29.031m.

Assets	2018/19		2019/20	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Short-term investments	7,771	7,771	9,782	9,782
Cash and cash equivalents	3,523	3,523	5,125	5,125
Long-term debtors	45	45	42	42
Short-term debtors	1,541	1,541	1,468	1,468
	<b>12,880</b>	<b>12,880</b>	<b>16,417</b>	<b>16,417</b>

As the investments referred to in the above table are short term the fair value is assumed to be the carrying amount.

#### Fair Value hierarchy for financial assets and financial liabilities that are not measured at fair value

Recurring fair value measurements using other significant observable inputs (Level 2)	31 March 2019 £'000	31 March 2020 £'000
<b>Financial Liabilities</b>		
PWLB	(15,449)	(15,449)
Market Loan	(1,000)	(1,000)
<b>Total</b>	<b>(16,449)</b>	<b>(16,449)</b>
Financial Assets held at amortised cost	<b>11,294</b>	<b>14,907</b>

## 20. 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 required 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 financial instrument risk management processes focus on the unpredictability of financial markets, and seek to minimise potential adverse effects on the resources available to fund services.

Risk management is carried out by the finance team, under policies approved by the Council in the annual capital and 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 2019/20 was approved by Full Council in February 2019 is available on the Council's website together with the Council's Capital Strategy.

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 £9.782m 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 small risk of irrecoverability therefore applies to all of the Council's deposits, but there was no evidence at the 31 March 2020 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 2020	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2020	Estimated maximum exposure to default and uncollectability at 31 March 2020	Estimated maximum exposure at 31 March 2019
	£'000	%	%	£'000	£'000
Customers	916	2.5	2.5	23	30

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 2019 £'000	31 March 2020 £'000
<i>Less than three months</i>	1,011	869
<i>Three months to one year</i>	166	34
<i>More than one year</i>	18	13
	<b>1,195</b>	<b>916</b>

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 2020 consisted of loans totalling £16.449m, with £1m repayable in 2051 and the remainder in 2068/69. Short term liquidity is managed through the investment portfolio.

### Refinancing and Maturity risk

The Council maintains a significant debt and investment portfolio. 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.

### 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. However, the £19.599m investment in property funds are all classified as 'fair value through profit and loss', meaning that all movements in price will impact on gains and losses recognised with the cost of services with the Comprehensive Income and Expenditure Statement, with the statutory override currently providing an opposite entry in the Capital Adjustment Account. A general shift of 5% in the general price of units (positive or negative) would thus have resulted in a £1m gain or loss being reflected in these statements for 2019/20.

### Foreign Exchange Risk

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

## 21. DEBTORS

	31 March 2019 £'000	31 March 2020 £'000
Central Government departments	2,122	266
Other Local Authorities	434	744
NHS bodies	3	-
Other entities and individuals	1,902	1,995
<b>Total</b>	<b>4,461</b>	<b>3,005</b>



## 22. DEBTORS FOR LOCAL TAXATION

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

	31 March 2019 £'000	31 March 2020 £'000
Less than or equal to one year	641	364
More than one year	406	341
<b>Total Debtors</b>	<b>1,047</b>	<b>705</b>

## 23. CASH AND CASH EQUIVALENTS

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

	31 March 2019 £'000	31 March 2020 £'000
Cash held by the Council	1	1
Short term deposits with counterparties	3,523	5,125
<b>Cash and cash equivalents categorised as Current Assets</b>	<b>3,524</b>	<b>5,126</b>
Bank current accounts – Bank Overdraft	(334)	(129)
<b>Cash and cash equivalents categorised as Current Liabilities</b>	<b>(334)</b>	<b>(129)</b>
<b>Total Cash and Cash Equivalents</b>	<b>3,190</b>	<b>4,997</b>

## 24. CREDITORS

	31 March 2019 £'000	31 March 2020 £'000
Central Government departments	(224)	(1,769)
Other Local Authorities	(1,341)	(37)
Other entities and individuals	(2,279)	(3,370)
<b>Total Creditors</b>	<b>(3,844)</b>	<b>(5,176)</b>

## 25. PROVISIONS

	Business Rate Appeals £'000
<b>Balance at 1 April 2019</b>	<b>(540)</b>
Additional provisions made in 2019/20	(364)
Unused amounts reversed in 2019/20	364
<b>Balance at 31 March 2020</b>	<b>(540)</b>

The provision represents Boston's share (40% of £1.350m as at 31 March 2020), of the total provision for appeals against the rateable values set by the Valuation Office Agency (VOA) not settled as at 31 March 2020. The total provision has been recognised in the Collection Fund Statement (page 92).

## 26. USABLE RESERVES

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

## 27. UNUSABLE RESERVES

31 March 2019 Restated £'000		31 March 2020 £'000
(28,075)	Revaluation Reserve	(29,737)
(12,259)	Capital Adjustment Account	(10,812)
37,512	Pensions Reserve	34,393
(11)	Deferred Capital Receipts Reserve	(11)
(1,409)	Collection Fund Adjustment Account	274
147	Accumulated Absences Account	133
<b>(4,095)</b>		<b>(5,760)</b>

### 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.

2018/19 Restated			2019/20	
£'000	£'000		£'000	£'000
	<b>(26,767)</b>	<b>Balance at 1 April</b>		<b>(28,075)</b>
(2,022)		Upward revaluation of assets	(2,589)	
		Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	124	
52				
	(1,970)	Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services		(2,465)
734		Difference between fair value depreciation and historical cost depreciation	803	
86		Accumulated gains on de-recognition of assets in year	-	
86		Accumulated gain on asset transferred to Investment Properties	-	
(244)		Other changes to accumulated gains	-	
	<b>662</b>	Amount written off to the Capital Adjustment Account		<b>803</b>
	<b>(28,075)</b>	<b>Balance at 31 March</b>		<b>(29,737)</b>

## **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.

2018/19 Restated			2019/20	
£'000	£'000		£'000	£'000
	(13,236)	Balance at 1 April		(12,259)
	(111)	Accumulated gains on Property Funds at 1 April 2018 (transferred from Available for Sale Reserve)		-
	<b>(13,347)</b>	<b>Adjusted Balance at 1 April 2018</b>		<b>(12,259)</b>
		<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>		
1,802		Charges for depreciation and impairment of non-current assets	1,847	
(25)		Revaluation losses/(reversals) on property, plant and equipment	(2)	
21		Amortisation of intangible assets	32	
877		Revenue expenditure funded from capital under statute	3,830	
22		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	4	
	<b>2,697</b>			<b>5,711</b>
	<b>(662)</b>	Adjusting amounts written out of the Revaluation Reserve		<b>(803)</b>
		<b>Capital financing applied in the year:</b>		
(655)		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(3,816)	
(169)		Application of grants to capital financing from the Capital Grants Unapplied Account	(20)	
(15)		Statutory Provision for financing capital investment charged against the General Fund balance	(65)	
(568)		Capital expenditure charged against the General Fund balance	(550)	
	<b>(1,407)</b>			<b>(4,451)</b>
	<b>473</b>	Movements in the fair value of property funds debited or credited to the Comprehensive Income and Expenditure Statement		<b>1,028</b>
	<b>(13)</b>	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement		<b>(38)</b>
	<b>(12,259)</b>	<b>Balance at 31 March</b>		<b>(10,812)</b>

## 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 2019 £'000		31 March 2020 £'000
33,392	<b>Balance at 1 April</b>	37,512
2,033	Remeasurement of the net defined benefit liability	(5,078)
3,603	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	3,557
(1,516)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,598)
<b>37,512</b>	<b>Balance at 31 March</b>	<b>34,393</b>

## 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 taxpayers and business ratepayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

31 March 2019 £'000		31 March 2020 £'000
308	<b>Balance at 1 April</b>	(1,409)
(1,717)	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	1,683
<b>(1,409)</b>	<b>Balance at 31 March</b>	<b>274</b>

## 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.

2018/19			2019/20	
£'000	£'000		£'000	£'000
	123	<b>Balance at 1 April</b>		<b>147</b>
(123)		Settlement or cancellation of accrual made at end of the preceding year	(147)	
147		Amounts accrued at the end of the current year	133	
	24	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		(14)
	<b>147</b>	<b>Balance at 31 March</b>		<b>133</b>

## 28. CASH FLOW - OPERATING ACTIVITIES

The cash flows for operating activities include the following items

	2018/19 £'000	2019/20 £'000
Interest/income received from investments and property fund holdings	496	1,131
Interest paid	(143)	(494)

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

	2018/19 £'000	2019/20 £'000
Depreciation	1,802	1,847
Impairments and downward valuations	(25)	(2)
Amortisation	21	32
Movement in contract assets IFRS15	(127)	127
Increase / (decrease) in short term creditors	178	2,102
(Increase) / decrease in short term debtors	398	1,525
(Increase) / decrease in inventories	17	-
Movement in pension liability	2,087	1,959
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	22	4
Other non-cash items charged to the net surplus or deficit on the provision of services	(255)	990
	<b>4,118</b>	<b>8,584</b>
<i>The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities</i>		
Proceeds from the sale of non-current assets	-	-
Any other items for which the cash effects are investing or financing cash flows	(808)	(3,826)
	<b>(808)</b>	<b>(3,826)</b>

## 29. CASH FLOW - INVESTING ACTIVITIES

	2018/19 £'000	2019/20 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(581)	(483)
Purchase of short term investments	(1,000)	(4,000)
Purchase of property fund holdings	(19,989)	-
Other payments for investing activities	(10)	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-	-
Proceeds from short term and long term investments	1,250	2,000
Other receipts from investing activities	1,115	3,866
<b>Net cash flows from investing activities</b>	<b>(19,215)</b>	<b>1,383</b>

### 30. CASH FLOW - FINANCING ACTIVITIES

	2018/19 £'000	2019/20 £'000
Cash receipts of short and long term borrowing	43,449	-
Repayments of short and long term borrowing	(28,000)	-
Amounts relating to major preceptors & NNDR	(576)	-
Other payments for financing activities	-	(1,184)
<b>Net cash flows from financing activities</b>	<b>14,873</b>	<b>(1,184)</b>

### 31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

2019/20	1 April 2019 £'000	Financing cash flows		Non cash changes £'000	31 March 2020 £'000
		New Loans £'000	Repayments £'000		
Long-term borrowing	(16,449)	-	-	-	(16,449)
Short-term borrowing	(107)	-	-	-	(107)
<b>Total liabilities from financing activities</b>	<b>(16,556)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16,556)</b>

2018/19	1 April 2018 £'000	Financing cash flows		Non cash changes £'000	31 March 2019 £'000
		New Loans £'000	Repayments £'000		
Long-term borrowing	(1,000)	(15,449)	-	-	(16,449)
Short-term borrowing	-	(28,000)	28,000	(107)	(107)
<b>Total liabilities from financing activities</b>	<b>(1,000)</b>	<b>(43,449)</b>	<b>28,000</b>	<b>(107)</b>	<b>(16,556)</b>

### 32. MEMBERS' ALLOWANCES

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

	31 March 2019 £'000	31 March 2020 £'000
Allowances	204	210
Expenses	6	5
<b>Total</b>	<b>210</b>	<b>215</b>



### 33. 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:

<b>2019/20</b>	<b>Salary, fees and allowances</b>	<b>Pension Contribution</b>	<b>Total</b>
<b>Job Title</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive	100,887	16,656	<b>117,543</b>
Deputy Chief Executive & Corporate Director – Monitoring Officer	82,526	13,566	<b>96,092</b>
Chief Finance Officer (S151)	73,797	12,489	<b>86,286</b>
Head of Operations	65,293	10,724	<b>76,017</b>
Associate Head of Corporate Services *	28,180	3,636	<b>31,816</b>
Head of Regulatory Services	64,654	10,724	<b>75,378</b>
Head of Place and Space	65,352	10,762	<b>76,114</b>
People Services Manager (from 4 November 2019)	16,458	2,732	<b>19,190</b>

\* The Associate Head of Corporate Services is employed on a part time basis. The total annualised salary would be £64,832.

<b>2018/19</b>	<b>Salary, fees and allowances</b>	<b>Pension Contribution</b>	<b>Total</b>
<b>Job Title</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive	99,212	16,329	<b>115,541</b>
Deputy Chief Executive & Corporate Director – Monitoring Officer	80,941	13,300	<b>94,241</b>
Chief Finance Officer (S151)	73,761	12,244	<b>86,005</b>
Head of Operations	65,568	10,551	<b>76,119</b>
Head of Corporate Services **	42,947	7,292	<b>50,239</b>
Head of Regulatory Services	63,632	10,580	<b>74,212</b>
Head of Place and Space	63,913	10,551	<b>74,464</b>

\*\* the Head of Corporate Services is employed 25 hours per week. The total annualised salary would be £57,315.

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

<b>Remuneration band</b>	<b>2018/19 Number of employees</b>	<b>2019/20 Number of employees</b>
£50,000 to £54,999	2	3
£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	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
							£	£
£0 - £20,000	2	1	2	1	4	2	13,535	3,244
£20,001 - £40,000	-	-	-	-	-	-	-	-
<b>Total cost included in bandings</b>							<b>13,535</b>	<b>3,244</b>
<b>Total cost included in CIES</b>							<b>13,535</b>	<b>3,244</b>

The total cost of £3,244 in the table above for exit packages has been charged to the Council's Comprehensive Income and Expenditure Statement in the current year.

### 34. 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:

	2018/19 £'000	2019/20 £'000
<b>Statutory Audit Services</b>		
Fees payable to Mazars LLP with regard to external audit services carried out by the appointed auditor for the year	34	37
Fees payable to Mazars LLP with regard to certification of grants and claims	7	7
Fees payable to KPMG LLP with regard to certification of grants and claims	2	2
<b>Total</b>	<b>43</b>	<b>46</b>

In addition, during 2019/20 a refund of retained earnings to audited bodies in the sum of £4,110 was received from Public Sector Audit Appointments.

### 35. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20.

	2018/19 £'000	2019/20 £'000
<b>Credited to Taxation and Non-Specific Grant Income and Expenditure</b>		
Revenue Support Grant	-	(342)
S31 Grant – Business Rate Grant	(1,290)	(1,113)
New Homes Bonus Scheme Grant	(613)	(721)
Other non-specific grants	(17)	(120)
Grants and contributions in relation to capital expenditure PRSA	(80)	(133)
<b>Credited to Services</b>		
Housing Benefit Subsidy	(16,741)	(14,486)
Housing Benefits and Council Tax Administration Grant	(303)	(276)
Discretionary Housing Payment	(130)	(110)
Controlling Migration	(531)	-
Disabled Facilities Grant	(569)	(558)
ELDC - CCTV	-	-
PSICA Grant	(154)	(70)
Other	(412)	(4,078)
<b>Total of all Grants and Contributions</b>	<b>(20,840)</b>	<b>(22,007)</b>
<b><i>Of which, Grants from Central Government</i></b>	<b><i>(20,056)</i></b>	<b><i>(21,049)</i></b>

## 36. 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. 2018/19 comparators are shown in brackets.

- Funding from Government Note 35, £21.049m (£20.056m)
- Non-Domestic Rates Share Payable Collection Fund – £9.880m (£Nil).
- Debtors Note 21 £0.266m (£2.122m)
- Creditors Note 24 £1.769m (£0.224m)

### **Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in Note 32. The relevant disclosures are:

Four members declared interest in organisations which transacted with the Council in 2019/20 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**

Two officers declared an interest in an organisation or partnership that transacts with the Council, none of which are considered material.

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

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. It exists to produce a Joint Local Development Plan. The cost for each Council during 2019/20 was £139,450 (£153,039 for 2018/19).

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 2019/20 the Council received £244,228 (£232,893 in 2018/19) in respect of this sharing arrangement.

Pension Fund – the Council paid an employer's contribution of £1.598m into Lincolnshire County Council's Superannuation Fund (£1.516m in 2018/19). Under the requirements of IAS19 the actuarial estimate shows a contribution of £1.619m payable in 2020/21. The fund provides its members with defined benefits related to pay and service. Full disclosure on Retirement Benefits is shown in Note 40.

## Levying Bodies

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

## 37. 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.

	31 March 2019 £'000	31 March 2020 £'000
<b>Opening Capital Financing Requirement</b>	<b>459</b>	<b>20,434</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	425	515
Investment properties	14	12
Intangibles	77	29
Long-term Investment – Property Fund Holdings	19,989	-
Revenue Expenditure Funded from Capital under Statute	877	3,830
<b>Sources of finance</b>		
Government grants and other contributions	(824)	(3,836)
Direct revenue contributions	(568)	(550)
Minimum Revenue Provision	(15)	(65)
<b>Closing Capital Financing Requirement</b>	<b>20,434</b>	<b>20,369</b>
<b>Explanation of movements in year</b>		
(Decrease)/increase in underlying need to borrow (unsupported by government financial assistance)	19,975	(65)
<b>(Decrease)increase in the Capital Financing Requirement</b>	<b>19,975</b>	<b>(65)</b>

## 38. 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 2020 at £4.457m (£4.407m at 31 March 2019), have been leased. Details of the income and expenditure relating to leased property can be found at Note 18.

## 39. IMPAIRMENT LOSSES

No impairment losses have been recognised in 2019/20.

## **40. 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	
	2018/19 £'000	2019/20 £'000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of services:</b>		
<i>Service cost comprising:</i>		
Current service cost	2,315	2,643
Past service cost	404	-
<i>Financing and investment income and expenditure</i>		
Net interest expense	884	914
<b>Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>3,603</b>	<b>3,557</b>
<b>Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>		
Re-measurement of the net defined benefit liability comprising:		
Changes in demographic assumptions	-	(3,239)
Return on plan assets (excluding the amount included in the net interest expense)	(2,725)	4,966
Actuarial gains and losses arising on changes in financial assumptions	4,725	(7,435)
Other Experience	33	630
<b>Total remeasurements recognised in Other Comprehensive Income and Expenditure</b>	<b>2,033</b>	<b>(5,078)</b>
<b>Total post employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>5,636</b>	<b>(1,521)</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code	(2,087)	(1,959)
<b>Actual amount charged against the General Fund Balance for pensions in the year</b>		
Employer's contributions payable to the Scheme	1,516	1,598

### 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	
	2018/19 £'000	2019/20 £'000
Present value of the defined benefit obligation	(89,730)	(81,880)
Fair value of plan assets	52,218	47,487
<b>Net liability arising from defined benefit obligation</b>	<b>(37,512)</b>	<b>(34,393)</b>

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

	Local Government Pension Scheme	
	2018/19 £'000	2019/20 £'000
Opening fair value of scheme assets	48,942	52,218
Interest income	1,262	1,244
Remeasurement gain / (loss):		
The return on plan assets, excluding the amount included in the net interest expense	2,725	(4,966)
Contributions from employer	1,516	1,598
Contributions from employees into the scheme	364	373
Benefits paid	(2,591)	(2,980)
<b>Closing fair value of scheme assets</b>	<b>52,218</b>	<b>47,487</b>

### Reconciliation of Present Value of the Scheme Liabilities

	Local Government Pension Scheme	
	2018/19 £'000	2019/20 £'000
<b>Opening balance at 1 April</b>	<b>(82,334)</b>	<b>(89,730)</b>
Current service cost	(2,315)	(2,643)
Past service cost	(404)	-
Interest cost	(2,146)	(2,158)
Contributions by scheme participants	(364)	(373)
Remeasurement gains / losses:		
Changes in demographic assumptions	-	3,239
Actuarial gains / losses arising from changes in financial assumptions	(4,725)	7,435
Other experience	(33)	(630)
Benefits paid	2,591	2,980
<b>Closing balance at 31 March</b>	<b>(89,730)</b>	<b>(81,880)</b>



**Local Government Pension Scheme assets comprised:**

	Local Government Pension Scheme			
	2018/19 Total £'000	2019-20 Quoted in active markets £'000	2019-20 Not Quoted in active markets £'000	2019/20 Total £'000
Cash and cash equivalents	575.5	283.8	-	283.8
Equity instruments:				
Consumer	5,888.7	2,073.1	-	2,073.1
Manufacturing	2,125.8	1,391.8	-	1,391.8
Energy and utilities	1,190.5	563.4	-	563.4
Financial institutions	3,097.8	1,329.5	-	1,329.5
Health and Care	2,313.8	1,661.1	-	1,661.1
Information technology	3,516.8	3,251.7	-	3,251.7
Other	-	484.8	-	484.8
Real Estate:				
UK Property	4,175.8	3,784.8	181.4	3,966.2
Overseas Property	328.3	-	311.8	311.8
Private equity	547.7	-	411.1	411.1
Investment Funds and Unit Trusts:				
Equities	14,413.6	14,866.3	-	14,866.3
Bonds	6,283.9	8,874.7	-	8,874.7
Infrastructure	986.2	-	1,059.8	1,059.8
Other	6,773.6	-	6,957.9	6,957.9
<b>Total Assets</b>	<b>52,218.0</b>	<b>38,565.0</b>	<b>8,922.0</b>	<b>47,487.0</b>

**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 2019.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2018/19 £'000	2019/20 £'000
Mortality assumptions:		
<i>Longevity at 65 for current pensioners (years):</i>		
Men	22.1	21.4
Women	24.4	23.7
<i>Longevity at 65 for future pensioners (years):</i>		
Men	24.1	22.4
Women	26.6	25.2
Rate of inflation (RPI)	3.5%	2.8%
Rate of increase in salaries	2.9%	2.2%
Rate of increase in pensions	2.5%	1.9%
Rate for discounting scheme liabilities	2.4%	2.3%

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%	7,239
0.5% increase in the Salary Increase Rate	1%	778
0.5% increase in the Pension Increase Rate (CPI)	8%	6,395

### Impact on the Council's Cash Flows

The contributions paid by the Council are set by the Fund Actuary at each triennial actuarial valuation, the most recent being 31 March 2019. 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 2019/20 level.

Employer contributions payable to the scheme in 2020/21 are estimated to be £1.619m.

## 41. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

### Contingent Liabilities

No contingent liabilities were identified at 31 March 2020.

### Contingent Assets

No contingent assets were identified at 31 March 2020.

## 42. PRIOR PERIOD ADJUSTMENT

During 2018/19, balances in the revaluation reserve relating to the Council's Heritage Assets were incorrectly written off to the Capital Adjustment Account. The impact on the Balance Sheet is nil as both the Revaluation Reserve and Capital Adjustment Account are classified as Unusable Reserves. Note 27 Unusable Reserves has been restated to reflect this adjustment.

Effect on Balance Sheet 31 March 2019.

	<b>As previously stated 31 March 2019 £'000</b>	<b>Correction required £'000</b>	<b>As restated £'000</b>
Revaluation Reserve	(26,471)	(1,604)	(28,075)
Capital Adjustment Account	(13,863)	1,604	(12,259)
Pensions Reserve	37,512	-	37,512
Deferred Capital Receipts Reserve	(11)	-	(11)
Collection Fund Adjustment Account	(1,409)	-	(1,409)
Accumulated Absences Account	147	-	147
	<b>(4,095)</b>	<b>-</b>	<b>(4,095)</b>

## COLLECTION FUND STATEMENT

2018/19				2019/20		
Council Tax £'000	NDR £'000	Total £'000		Council Tax £'000	NDR £'000	Total £'000
(32,279)	-	(32,279)	<b>Income</b>			
-	(20,246)	(20,246)	Council Tax Receivable	(34,397)	-	(34,397)
-	(185)	(185)	Business Rates Receivable	-	(19,905)	(19,905)
-	(493)	(493)	Transitional Protection Payments	-	(258)	(258)
-	(395)	(395)	Contributions towards previous year's Collection fund deficit			
-	(99)	(99)	Central Government	-	(18)	(18)
			Boston Borough Council	-	-	-
			Lincolnshire County Council	-	-	-
<b>(32,279)</b>	<b>(21,418)</b>	<b>(53,697)</b>	<b>Total Income</b>	<b>(34,397)</b>	<b>(20,181)</b>	<b>(54,578)</b>
			<b>Expenditure</b>			
			Precepts, demands and shares			
-	-	-	Central Government	-	9,880	9,880
4,528	11,714	16,242	Boston Borough Council	4,702	7,904	12,606
23,045	7,810	30,855	Lincolnshire County Council	24,729	1,976	26,705
4,069	-	4,069	Police and Crime Commissioner for Lincolnshire	4,619	-	4,619
			Impairment of debts/appeals			
560	517	1,077	Increase in allowance for impairment	371	68	439
-	(2,235)	(2,235)	Increase in provision for appeals	-	450	450
-	92	92	Cost of Collection Allowance	-	92	92
-	170	170	Renewable Energy	-	206	206
			Contributions towards previous year's Collection fund surplus			
111	-	111	Boston Borough Council	29	1,569	1,598
562	-	562	Lincolnshire County Council	151	1,052	1,203
98	-	98	Police and Crime Commissioner for Lincolnshire	27	-	27
<b>32,973</b>	<b>18,068</b>	<b>51,041</b>	<b>Total Expenditure</b>	<b>34,628</b>	<b>23,197</b>	<b>57,825</b>
<b>694</b>	<b>(3,350)</b>	<b>(2,656)</b>	<b>(Surplus)/Deficit arising during year</b>	<b>231</b>	<b>3,016</b>	<b>3,247</b>
<b>(990)</b>	<b>1,024</b>	<b>34</b>	<b>(Surplus)/Deficit at beginning of year</b>	<b>(296)</b>	<b>(2,326)</b>	<b>(2,622)</b>
<b>(296)</b>	<b>(2,326)</b>	<b>(2,622)</b>	<b>(Surplus)/Deficit at end of year</b>	<b>(65)</b>	<b>690</b>	<b>625</b>

## 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 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)	19.1		5/9	10.6
A	10,811.6		6/9	7,207.7
B	5,230.5		7/9	4,068.2
C	5,324.2		8/9	4,732.6
D	1,952.7		9/9	1,952.7
E	767.9		11/9	938.6
F	195.8		13/9	282.8
G	75.3		15/9	125.5
H	4.3		18/9	8.5
Band D Equivalents				<b>19,327.2</b>
Allowance for Non collection (1.0 %)				<b>(193.3)</b>
<b>District Tax Base</b>				<b>19,133.9</b>

The basic level of council tax for a band D property, including the average parish element, was £1,779.55 (£1,690.88 in 2018/19). 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 (NNDR) – 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 2019/20 there are two multipliers, the non-domestic rating multiplier of 50.4p (49.3p in 2018/19) and the small business non-domestic rating multiplier of 49.1p (48.0p in 2018/19).

Following the national revaluation, the total rateable value for the Council's area at 31 March 2020 was £54.115m (£53.758m at 31 March 2019).

#### 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 2020.

	Business Rate Appeals	
	£'000	£'000
<b>Balance at 1 April 2019</b>		(900)
Amounts used/reversed in 2019/20	261	
Additional Provisions made in 2019/20	(711)	
Increase in Provision		(450)
<b>Balance at 31 March 2020</b>		<b>(1,350)</b>
<b>Boston Share (40%)</b>		<b>(540)</b>

#### 5. COLLECTION FUND

As at 31 March 2020, the deficit on the Collection Fund is £0.625m (£2.622m surplus at 31 March 2019).

The Council Tax surplus is apportioned to the relevant precepting bodies based on the following year's Council Tax requirement.

Non Domestic Rates surplus/deficit is apportioned to Central Government (50%), Boston Borough (40%), and Lincolnshire County Council (10%), however in 2018/19 these were Boston Borough (60%), and Lincolnshire County Council (40%) in accordance with the localisation pilot scheme operational that year only. The balance at 31 March 2020 includes a residual amount from 2018/19.

	2018/19		2019/20	
	Council Tax £'000	NDR £'000	Council Tax £'000	NDR £'000
Central Government	-	18	-	206
Boston Borough Council	(41)	(1,403)	(9)	332
Lincolnshire County Council	(215)	(941)	(47)	152
Lincolnshire Police and Crime Commissioner	(40)	-	(9)	-
<b>(Surplus)/Deficit</b>	<b>(296)</b>	<b>(2,326)</b>	<b>(65)</b>	<b>690</b>

## **GLOSSARY OF TERMS**

### **ACCOUNTING PERIOD**

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

### **ACCOUNTING POLICIES**

The principles, bases, conventions, rules, and practices applied by the Council that determine how transactions and events are reflected in the accounts.

### **ACCRUALS**

Amounts included in the accounts for income and expenditure in relation to the financial year but not received or paid as at 31 March.

### **ACTUARY**

An expert on pension scheme assets and liabilities.

### **ACTUARIAL GAINS AND LOSSES (RELATES TO IAS 19 - PENSIONS)**

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

- events have not coincided with the actuarial assumptions made in the last valuation, or
- the actuarial assumptions have changed.

### **AMORTISATION**

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

### **ANNUAL GOVERNANCE STATEMENT**

The annual governance statement is a statutory document that explains the processes and procedures in place to enable the council to carry out its functions effectively.

### **AUDIT OF ACCOUNTS**

An independent examination of the Council's accounts to ensure that they comply with the necessary legislation and follow best accounting practice. The Council's accounts are audited by Mazars LLP.

### **BALANCE SHEET**

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

### **BILLING AUTHORITY**

A local authority responsible for collecting the council tax and non-domestic rates i.e. Boston Borough Council.

### **BUDGET**

A statement of a Council's plans for revenue and capital expenditure over a specified period.

## **CAPITAL EXPENDITURE**

Payments for the acquisition, construction, enhancement or replacement of assets such as land, buildings, vehicles and computer equipment.

## **CAPITAL GRANT**

A grant received towards the capital expenditure incurred on a particular service or project. A local authority can also make capital grants e.g. Disabled Facilities Grants.

## **CAPITAL RECEIPTS**

Income from the sale of land, buildings, vehicles, plant or equipment. (with a value of at least £10,000)

## **CARRYING VALUE**

An accounting measure of value, where the asset is based on the figure in the Balance Sheet. For assets, the value is based on the original cost of the asset less any depreciation, amortisation or impairment costs made against the asset.

## **CASH EQUIVALENTS**

Short-term, liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## **CASH FLOW STATEMENT**

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

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

The leading professional accountancy body for the public sector.

## **CODE OF PRACTICE**

Published by CIPFA, sets out proper accounting principles and practices required for the statements of accounts, in accordance with the statutory framework for accounts, as established for England and Wales. The aim is to produce financial statements which “present a true and fair view” of the financial position of the Council. It supplements the principles and practice set out in the Code of Practice on Local Authority Accounting (known as the Code), by establishing practice for consistent reporting.

## **COLLECTION FUND**

An account that shows the income due from NNDR and Council Tax payers and the sums paid to central government and to the precepting authorities.

## **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

A statement which details the total income received and expenditure incurred by the Council during a year in line with IFRS reporting as required by the Code.

## **CONTINGENT ASSETS AND LIABILITIES**

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



## **COUNCIL TAX**

A local tax on properties within the whole Borough set by the billing (Boston Borough Council) and precepting authorities. Precepts are issued by Lincolnshire County Council, Police and Crime Commissioner for Lincolnshire and Parish Councils. The level is determined by the revenue expenditure requirements for each authority divided by the council tax base for the year.

## **COUNCIL TAX BASE**

The amount calculated for each billing authority from which the grant entitlement of its share is derived. The number of properties in each band is multiplied by the relevant band proportion in order to calculate the number of Band D equivalent properties in the area. The calculation allows for exemptions, discounts, appeals and a provision for non-collection.

## **CREDITORS**

Amounts owed by the Council for goods and services received, but not paid for as at 31 March.

## **CURRENT ASSET**

An asset where the value may change on a daily basis, e.g. cash balances and debtors.

## **CURRENT LIABILITY**

An amount which will become payable or could be called in within the next year, e.g. creditor, cash overdrawn.

## **DEBT IMPAIRMENT**

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

## **DEBTORS**

Amounts owed to the Council for goods and services provided, but where the associated income was not received as at 31 March.

## **DEPRECIATION**

A measure of the economic benefits of operational buildings, vehicles plant and equipment consumed during the period.

## **EARMARKED RESERVES**

Money put aside that the Council intends to use only for a certain, stated purpose.

## **ECONOMIC BENEFITS**

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

## **EXCEPTIONAL ITEMS**

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

## **FAIR VALUE**

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

## **FINANCIAL INSTRUMENTS**

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

## **GENERAL FUND**

The account to which the cost of providing the Council Services is charged that are paid for from Council Tax, Business Rates, government grants, fees and charges and investment returns.

## **GOING CONCERN**

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

## **GOVERNMENT GRANTS**

Grants by UK central government towards revenue or capital expenditure incurred by the Councils in the delivery of its services. These may be in respect of particular services e.g. Housing Benefits Subsidy, or to finance local services in general, e.g. Revenue Support grant or New Homes Bonus grant.

## **HOUSING BENEFIT**

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

## **IMPAIRMENT**

Impairment of non-current assets relates to downward revaluation of assets during the year caused by clear consumption of economic benefit and is recognised in the Comprehensive Income and Expenditure Statement.

## **INCOME**

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

## **INTANGIBLE ASSETS**

An item in a balance sheet where there is no tangible asset, but the asset has continuing value to the Council at the Balance Sheet date, e.g. computer software licences.

## **INTERNATIONAL ACCOUNTING STANDARD (IAS)**

Accounting standards developed by the International Accounting Standards Board that are primarily applicable to general purpose company accounts. These standards are adopted by the CIPFA Code of Practice except where the standards conflict with specific statutory requirements.

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS**

International Financial Reporting Standards (IFRS) are a set of accounting standards developed by an independent, not-for-profit organisation called the International Accounting Standards Board (IASB)

## **MATERIALITY**

In using its professional judgment, the Council has considered the size and nature of any transaction, or set of transactions. An item is considered material where its omission or misstatement would reasonably change the substance of the information presented in the accounts.

## **MINIMUM REVENUE PROVISION (MRP)**

The minimum amount that the Council must charge to the income and expenditure statement to provide for the repayment of debt or other credit liabilities.

## **MOVEMENT IN RESERVES STATEMENT**

This financial statement presents the movement in usable and unusable reserves (the Council's total reserve balances).

## **NATIONAL NON-DOMESTIC RATES (NNDR)**

The rates, payable by businesses on their properties, are calculated by applying a nationally determined multiplier to the rateable value of the property. This is collected by the Council and nationally determined proportionate shares are paid to the Government and Lincolnshire County Council with a share retained by Boston Borough Council.

## **NET BOOK VALUE**

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

## **NON-CURRENT ASSETS**

Assets that yield benefit to the Council and the services it provides for a period of more than one year e.g. Land and Buildings, Vehicles, Plant and Equipment.

## **NON - OPERATIONAL ASSETS**

Non-Current assets held by the Council but not directly occupied, used or consumed in the direct delivery of services e.g. investment properties.

## **OPERATING LEASE**

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

## **OPERATIONAL ASSETS**

Non-Current assets held and occupied, used or consumed by the Council, in the direct delivery of those services for which it has either a statutory or discretionary responsibility e.g. Council Offices, Geoff Moulder Leisure Centre, Princess Royal sports arena, Guildhall.

## **POST BALANCE SHEET EVENTS**

Those events, both favourable and unfavourable, which occur between the Balance Sheet date (31 March) and the date on which the Chief Finance Officer signs the statements of accounts.

## **PRECEPTS**

These are demands made upon the Collection Fund, by the Boston Borough Council, Lincolnshire County Council, Police and Crime Commissioner for Lincolnshire, Special Expenses and Parish Councils, which it requires to finance the services it provides.

## **PROVISIONS**

An amount set aside in the accounts and charged to individual services for liabilities that are likely to be incurred in the future, but cannot be accurately quantified.

## **PUBLIC WORKS LOAN BOARD (PWLB)**

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

## **RELATED PARTY TRANSACTIONS**

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

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party, to an extent that the other party may be inhibited from pursuing at all times its own interests; or
- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own interests.

Advice from CIPFA is that related parties to a local authority include UK Central Government, bodies precepting or levying demands on the Council Tax, members and chief officers of the Council and its pension fund.

## **RESERVES**

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

## **REVENUE EXPENDITURE**

Day-to-day payments on the running of Council services including salaries, wages, contract payments, supplies, housing benefits and capital financing costs.

## **SEGMENT**

Distinguishable service of the Council that is engaged in providing a service or a group services. Segments in the Statements are based on the Council's management structure.

## **TREASURY MANAGEMENT**

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

## **TREASURY MANAGEMENT STRATEGY**

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

## **USEFUL LIFE**

The period over which the Council will derive benefits from the use of a non-current (fixed) asset.