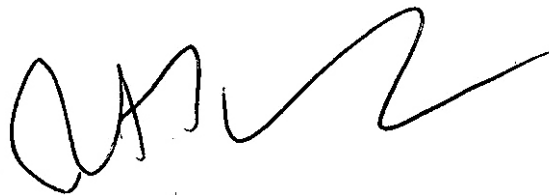


BOSTON BOROUGH COUNCIL

FINANCIAL REPORT 2016/17

Rob Barlow, Strategic Director – Resources (Section 151 Officer)



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Boston Borough Council

Financial Report 2016/17

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Narrative Report

Welcome to the Statement of Accounts – Rob Barlow, Strategic Director – Resources

A short introduction to Boston

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

In recent years the area has seen a large influx of workers from other countries, adding pressures to the local public sector providers. During 2016/17, Boston's vote on the EU Referendum had the highest Leave proportion in the country.

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 rural District its range of services is that typically provided in these areas – alongside the statutory delivery of planning, housing and regulatory functions including waste collection the council is the billing authority for its area. It also provides leisure and community services.

Population

The Office for National Statistics' latest figures, published for 2015, estimated there to be 66,900 residents and 28,760 households in the Borough. This shows an increase of 13.2% over the 2008 position, with significant increases in the number of people due to the arrival of migrant workers from European Countries, seeking employment mainly in agriculture and food processing.

Economy

According to the Government's Index of Multiple Deprivation (2015) Boston Borough is ranked as the 66th most deprived council area in England. Census 2011 figures indicate that Boston had the highest percentage of non British EU passport holders outside of London at 12.1%, reflecting 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 of 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 old 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 Observatory website, see www.research-lincs.org.uk/area-profiles.aspx

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Political Structure in the 2016/17 Year

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

Party	Number
Conservative	13
UK Independence	10
Labour	2
Independent	3
Unaligned	2

The Council has adopted the Leader and Cabinet model as its political management structure. The Leader of the Council has responsibility for the appointment of Members of the Cabinet, the allocation of Portfolios and the delegation of Executive Functions. The decision-making system is made up of a Cabinet, two scrutiny committees, planning committee, licensing committee and the audit and governance committee as well as full Council. The scrutiny committees hold the Cabinet to account and monitor progress of key policies and strategies.

The Council's Corporate Plan

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

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

The Corporate Plan was reviewed and revised during the year, and contains four priorities:

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

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

WHO WORKS FOR THE COUNCIL?

Management Structure

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

During 2016/17 the Corporate Management Team comprised the Chief Executive, two Directors and five Heads of Service, see www.boston.gov.uk/index.aspx?articleid=4537

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

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- 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 2016 the Council employed 298 people. By March 2017 this was 297, therefore largely static throughout the year despite there being a number of seasonal workers throughout the summer season. Included in these numbers are a number of apprentices in a wide variety of roles. From April 2017, Boston Borough Council will pay an apprenticeship levy to the Government. The levy is 0.5% of the Council's total pay bill and it can be used to pay for apprenticeship training, against approved apprenticeship standards, for both new recruits and for existing Council employees.

THE COUNCIL'S PERFORMANCE

Achievements 2016/17

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

- The appointment of an Economic Development Manager to help facilitate future business growth
- We have continued our commitment to providing excellent services and good value for money. Out of the respondents from the 2016/17 customer survey, 82% residents were either very satisfied or satisfied with the service they had received from us;
- 187 affordable homes were built in the year, bringing the total to 299 since 2012/13.
- Garden waste scheme successful with over 11,700 households signing up to the scheme and bringing in £378,000 in income to support the scheme.

Financial Performance

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

The Council:

- Collects £20m of business rates, with 50% passed onto central government and 10% onto Lincolnshire County Council, the Borough Council retains 14% (£2.8m) following the payment of the tariff to the government and other adjustments;
- Holds £39m of fixed assets comprising £36m of operational and heritage assets for delivering services and £3m of investment property.
- Actively manages its investment portfolio, generating £99,000 investment income.
- Generates £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 at the following link:

<http://moderngov.boston.gov.uk/ieListDocuments.aspx?CId=130&MId=1152&Ver=4>

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CAPITAL OVERVIEW

(figures in £000)

	TOTAL ASSETS BROUGHT FORWARD		
	55,060		
+	ACQUISITIONS	ADJUSTMENTS / DISPOSALS	REVALUATIONS
	901	(1,749)	921
=	TOTAL ASSETS CARRIED FORWARD		
	54,987		

Broken down as:

PROPERTY, PLANT & EQUIPMENT	INVESTMENT PROPERTY	OTHER LONG TERM ASSETS	HERITAGE ASSETS	CURRENT ASSETS
27,879	3,281	198	8,020	15,609

REVENUE CASH FLOWS

For day to day items, the Council receives money from various sources; the focus of this section is to look at where the money comes from and how it is spent. Income comes primarily from central government in the form of revenue support and grants, from local businesses through a proportion of their business rates, and from local residents in the form of Council Tax and fees and charges for services. Each year the Council spends its money on key services set in accordance with its local priorities, as well as some services that it is required to provide by law. Net revenue expenditure for the year, taking into account movements into earmarked reserves and provisions, was on budget at £8.529m (the gross original budget was £36.613m with income of £28.084m). During the year officers made continuous efforts to constrain expenditure and maintain the delivery of services, bearing in mind the ongoing reductions in government grant support and various other economic pressures (both at local and national levels). This led to decisions being taken to provide resources to, or utilise existing reserves, to meet the following future key risks:

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

Earmarked reserves decreased by £53,000, from £6.903m to £6.850m (see Note 9, page 18). There has been a slight decrease in some reserves, notably Business rates and Housing, as funds were spent equalising the effect of business rates volatility and helping deliver aspects of the Housing Strategy. By holding these reserves it puts the Council in a better position to withstand future financial pressures arising from the uncertainties inherent in the current funding regime, including the amount of business rates the Council is able to retain.

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

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

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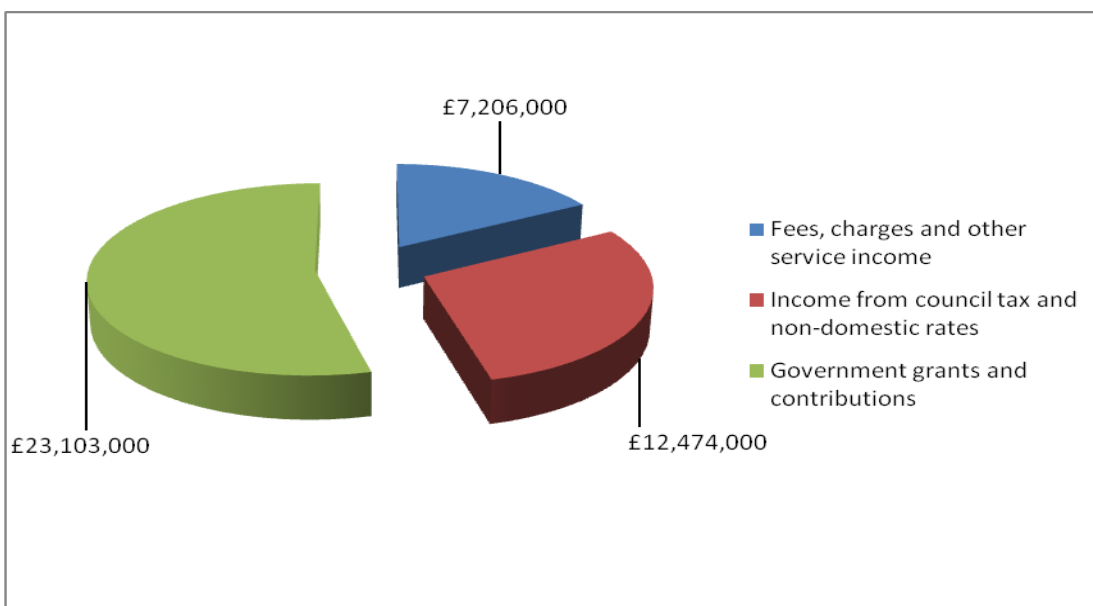
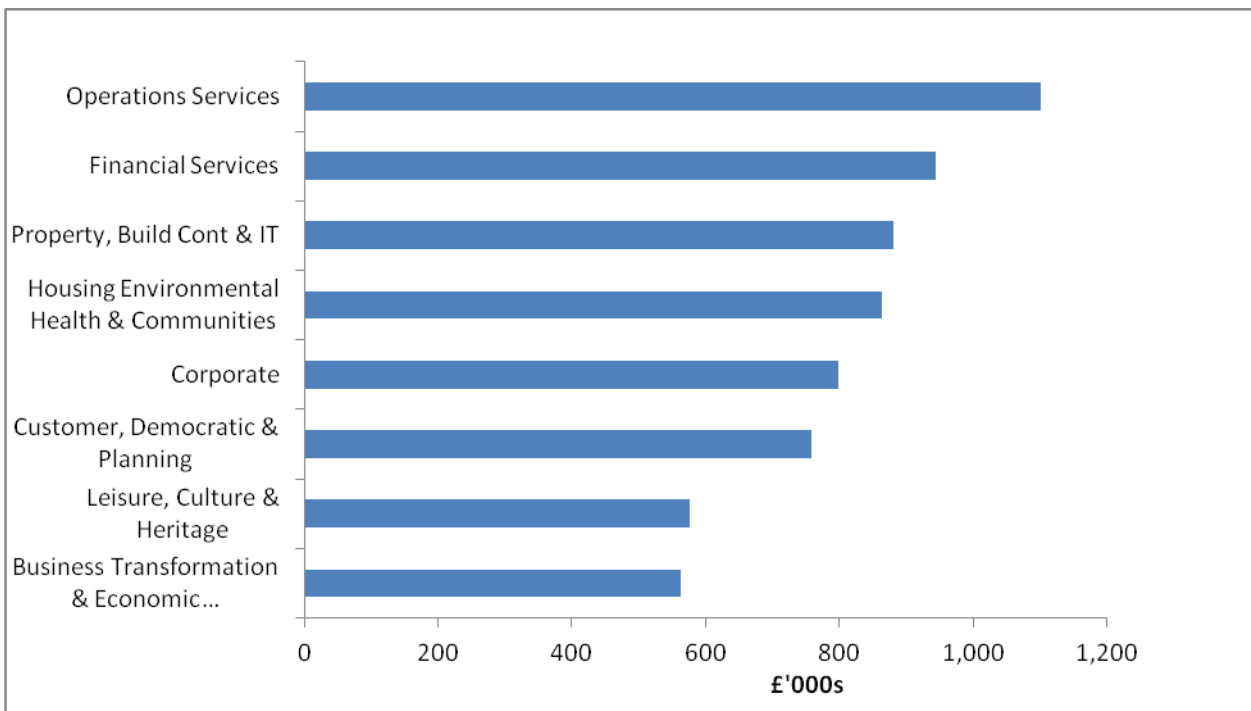
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- Sound financial stewardship and
- Innovative approaches to service delivery and support functions via the Transformation Programme

The majority of savings for 2017/18 have been found from transformation programme efficiencies and income with no cuts to service delivery, enabling a balanced budget to be approved for the coming year.

Council spending in 2016/17

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

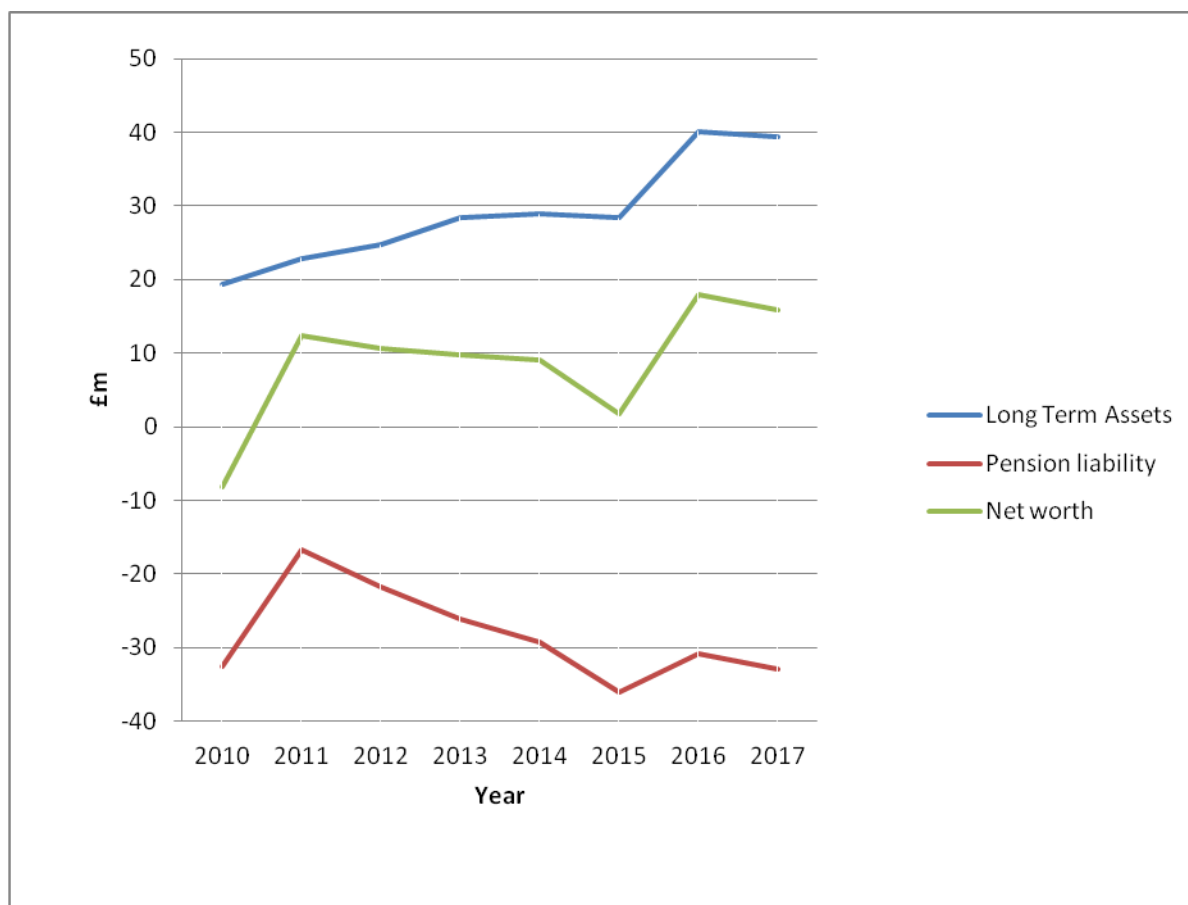


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FINANCIAL POSITION

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



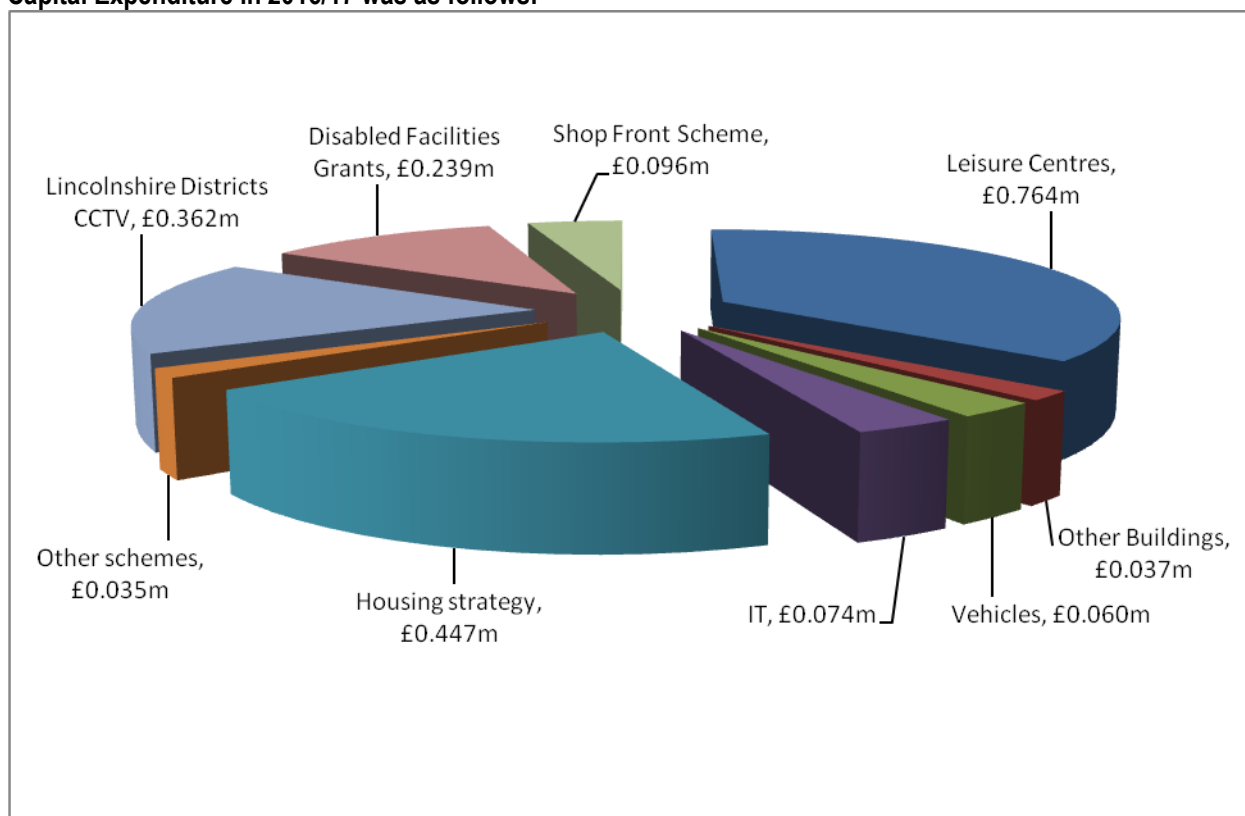
CAPITAL

Given the Council's financial position and the future outlook, the Capital programme is prepared to ensure that it is sustainable into the medium term and, wherever possible, supports the ongoing reduction of revenue costs through invest to save initiatives. In 2016/17 the Council spent £2.1m. This included initiatives to complete the installation of biomass boilers at two leisure facilities.

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Capital Expenditure in 2016/17 was as follows:



Non-Financial Performance of the Council 2016/17

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 2016/17 include:

- Improvement in the time taken to determine major planning applications
- Increase in the Gross Rateable Value of the area
- Increase in the number of affordable homes completed
- Increase in the number of swim sessions delivered at the Geoff Moulder Leisure Centre

For a full list of performance indicators please see quarter 4 performance report at the following link:

<http://modern.gov.boston.gov.uk/ieListDocuments.aspx?CId=130&MId=1152&Ver=4>

The pressures on the finances of the Council are set to continue into the foreseeable future as government funding cuts are applied to future years' budgets, and the funding regime is amended. As in previous years, the regular quarterly budget monitoring process reported to Cabinet and Council updated members on projected actual spend against the approved 2016/17 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, service standards in processing housing benefit claims, the number of food inspections undertaken, supporting

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the level of earmarked reserves, and maintaining the General Fund balance to help facilitate transformation opportunities and provide mitigation against future financial risks.

In response to the challenges facing it, during the year the Council refreshed its Transformation Programme to help deliver better services for the people of Boston with less resources, and accepted the Government's offer of a four-year settlement which gave notice of the scale of savings needed in the coming years. There are significant challenges facing the Council, and both members and officers are determined to meet them.

Risk and Opportunities

Future Challenges

The Council, in line with the majority of councils across the country, continues to face significant financial challenges as it responds to the Government's efforts to balance the national public finances. The future funding regime for councils is also set to change, with the announcement by the Chancellor in November 2015 that, by 2020, councils will be able to retain 100% of business rates generated locally. Whilst this may seem a positive move, the details of the new arrangement are yet to be agreed, and there will inevitably be winners and losers at the local level.

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

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

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

Changes to Local Government funding and the impact of Welfare Reform

The proposal to allow councils to retain 100% of business rates locally by 2020 will present challenges to the Council, particularly as a significant proportion of Boston's local business is linked to the agricultural sector which is exempt from business rates. Also, changes to council tax support in 2013 required the Council to introduce a local scheme that allows it to operate within a reduced funding regime from the government. As with the business rate changes, there are both incentives and risks for the Council that will require regular vigilant monitoring, to ensure that the Council's finances are not adversely affected.

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

Focusing on areas of poorer performance

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

Pension contributions

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

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Summary Position

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

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

The Council has responded by developing a culture of careful budgeting and financial management, and the implementation of several strategic and operational initiatives. This has enabled the Council to maintain its General Fund balance this year, and invest in infrastructure and services within the Borough. At 31 March 2017 the Council held £6.850m 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.

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Explanation of accounting Statements

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

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

- **Expenditure and Funding Analysis** – shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned by it in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services;
- **Movement in Reserves Statement** is a summary of the changes to the Council's reserves over the course of the year. Reserves are divided into "useable", which can be invested in capital projects or services improvements, and "unuseable" 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 what that change is due to operating activities, new investment, or financing activities;
- **Accounting Policies** – these explain the basis of the figures presented in the accounts;
- **Notes to the Accounts** – these provide further details on some of the figures included in the Accounts.

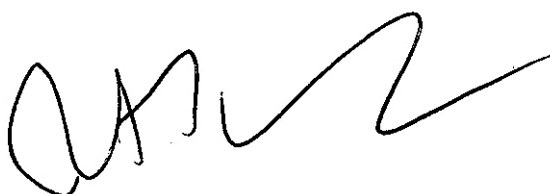
Supplementary Financial Statements

- **Collection Fund** – this reflects the statutory requirement for the Council to maintain a separate account providing details of receipts of Council Tax and Business Rates, and any associated payments to precepting authorities, and the Government.

Further Information

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

Rob Barlow, Strategic Director – Resources



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Annual Governance Statement 2016/17

1. The Council's governance responsibilities

Boston Borough Council is committed to the highest standard 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.

These arrangements are intended to make sure that we do the right things, in the right way, for the right people, in good time, and in a fair, open, transparent, honest and accountable way.

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".

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 at www.boston.gov.uk/governance for full transparency.

This AGS includes details of:

- The Council's vision
- Key elements of the Council's governance framework
- Details of how the governance review has been carried out
- An evaluation of the effectiveness of our governance arrangements in supporting planned outcomes
- Details of planned changes in the coming year

2. Vision

The Council's vision is set out in the 'Council Plan 2016/17 to 2019/20: Boston – Open for Business'. It sets out how we will continue to seek out new ways to promote prosperity, make Boston borough a safe and pleasant place to live, sustain services and protect and support the most vulnerable while continuing to meet the challenges set by Government. This is available online at www.boston.gov.uk/corporateplan

3. Key elements of the Council's governance framework

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 Audit & Governance Committee has particular responsibility for finance and governance
- The Chief Executive is Head of Paid Service and is responsible for all staff and for the leading the Corporate Management Team (CMT)
- The Section 151 Officer is responsible for safeguarding the Council's financial position and securing value for money
- The Monitoring Officer is responsible for ensuring legality, good governance and promoting high standards of conduct
- Compliance with CIPFA's statement on the role of the Chief Financial Officer in Local Government (CIPFA 2016) – as set out in section 3.1.3 of the Code of Corporate Governance
- 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

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Risk management and assurance

- Strategic, operational, project and partnership risks identified, monitored and reported
- Internal audit reports and Assurance Statement; Corporate Governance Audit
- External audit reports and Use of Resources judgement – unqualified opinion on the Council’s financial statement and use of resources (Value for Money) for 2015/16
- Annual Local Government Ombudsman (LGO) report
- External accreditation e.g. Councillor Development Charter

4. Review of governance arrangements

The Code of Corporate Governance has been reviewed and updated in line with the new Governance Framework which was published in 2016. This includes a summary of the key systems and processes in place for good governance. The code has been adopted by full Council following a recommendation from the Audit & Governance Committee (AGC).

The new Governance Framework includes a ‘schedule to assist in putting the principles into practice’ (Chapter 5 of Delivering Good Governance). We have taken a risk-based approach to the review process by using this schedule as a self-assessment tool.

The self-assessment has been facilitated by internal audit as part of their planned work on a corporate governance audit and has been signed off by the Corporate Management Team (CMT). Senior managers have also completed evidence-based assurance statements. No significant areas of non-compliance have been identified.

The corporate governance audit considered how the council is “complying with the current 2016 Good Governance Framework and how the Council intends to ensure compliance with the framework for the 2017 Annual Governance Statement.” The outcome was substantial assurance that the Council has effective processes in place to meet the requirements of the new governance framework.

The latest “combined assurance status report” produced by our internal auditors showed a high level of green assurance (95%) with no red areas identified. Plans are in place to address specific risks e.g. around new ways of working on fraud. We have also identified emerging issues such as the General Data Protection Regulation (GDPR). We have noted the 6 amber assurance areas identified in the latest report: - private sector housing enforcement capacity, technical upgrade delays relating to CCTV, improvements required in user lifecycle management of ICT applications, further ICT infrastructure improvements required, financial uncertainties in the medium term and the importance of delivering the Transformation Programme. Governance around partnership working arrangements continues to be an area where efforts need to be maintained going forward.

5. Effectiveness of governance arrangements

The following table sets out a summary of the self-assessment based on the seven principles in the Governance Framework. Overall, the Council’s governance arrangements have been found to be fit for purpose.

The Code of Corporate Governance has more detailed information on the sub-principles, elements, systems and processes under each principle (Section 3 and Appendix 1 of the Code of Corporate Governance).

For any specific governance issues identified, actions have been set out in Section 7. Where issues are not significant but related actions and/or projects are planned, these will be recorded in service plans for 2017/18 and reported as usual as part of the quarterly monitoring arrangements.

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How we meet the principle	Issues / emerging issues
Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	
<ul style="list-style-type: none"> ▪ Constitution recently reviewed and adopted by full Council, including codes of conduct (www.boston.gov.uk/constitution) ▪ Member and management structures in place and clear about their roles and responsibilities e.g. Corporate Management Team (CMT), Head of Paid Service, Section 151 Officer, Monitoring Officer, Audit & Governance Committee, Scrutiny, Cabinet ▪ Systems and procedures in place e.g. disciplinary, non-conformance, whistleblowing, fraud ▪ Induction and training in place for members and officers; Councillor Development Charter ▪ Shared values communicated ▪ Open and transparent decision making demonstrated 	<ul style="list-style-type: none"> ▪ No significant governance issues identified ▪ Some policies and procedures are due for review in 2017/18 and further work is planned post-SFIS. These will be recorded as actions in service plans.
Principle B: Ensuring openness and comprehensive stakeholder engagement	
<ul style="list-style-type: none"> ▪ Forward plan of key decisions published (www.boston.gov.uk/forwardplan) ▪ Communication via bulletins, press releases, web and social media, specific promotional campaigns ▪ Publication of live and planned consultations and results and outcomes for the last 3 years (www.boston.gov.uk/consultation) ▪ Feedback encouraged (www.boston.gov.uk/feedback) 	<ul style="list-style-type: none"> ▪ No significant governance issues identified ▪ Freedom of Information (FOI) responses will be published online in 17/18 ▪ A parish council project is underway as part of the transformation programme and is recorded in the relevant service plan
Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits	
<ul style="list-style-type: none"> ▪ New Corporate Plan agreed and published setting out our vision and corporate objectives (www.boston.gov.uk/corporateplan) ▪ Effective annual service planning arrangements in place with quarterly monitoring and reporting ▪ Transformation Programme reviewed and updated; Transformation Board in place; assessed by internal audit ▪ Effective contract and asset management arrangements in place 	<ul style="list-style-type: none"> ▪ No significant governance issues identified ▪ One area identified for further work is contract monitoring
Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes	
<ul style="list-style-type: none"> ▪ Scrutiny and decision making arrangements in place ▪ Committee report template including reasons for recommendations and implications ▪ Systems and procedures in place e.g. equality analysis, project management, option appraisal, budget consultation, service planning, performance management, Medium Term Financial Strategy ▪ Social value in Contract Procedure Rules 	<ul style="list-style-type: none"> ▪ No significant governance issues identified ▪ One area identified for further work is supporting effective scrutiny following recent training sessions
Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it	
<ul style="list-style-type: none"> ▪ Councillor Development Charter awarded by East Midlands Councils (EMC) ▪ Learning and development plans in place for members 	<ul style="list-style-type: none"> ▪ No significant governance issues identified

Boston Borough Council

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How we meet the principle	Issues / emerging issues
<ul style="list-style-type: none"> and officers Peer review work undertaken Efficient systems and technology 	
Principle F: Managing risks and performance through robust internal control and strong public financial management	
<ul style="list-style-type: none"> Effective risk, performance and financial arrangements in place supported by internal audit assessments www.boston.gov.uk/risk www.boston.gov.uk/performance Effective Audit & Governance Committee, external audit and internal audit arrangements Compliance with audit, finance and fraud requirements Effective information management arrangements in place including a second successful "Information Management November" initiative 	<ul style="list-style-type: none"> No significant governance issues identified One area identified for further work is preparation for the new General Data Protection Regulation (GDPR) due to come into force in May 2018
Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability	
<ul style="list-style-type: none"> Transparency arrangements in place and published on the website (www.boston.gov.uk/transparency) Publication Scheme on the website (www.boston.gov.uk/publicationscheme) Freedom of information arrangements clear Committee reports and information online (moderngov.boston.gov.uk) 	<ul style="list-style-type: none"> No significant governance issues identified

6. Actions from 2015/16 AGS

The table below sets out the actions identified in last year's AGS and their progress to date.

Action	Outcome
Publication of summary end of year report	Published in bulletin and on the website in June 2016
New Corporate Plan from 2016/17	Corporate Plan signed off and on website (www.boston.gov.uk/corporateplan)
Revised Constitution	Constitution reviewed and updated (www.boston.gov.uk/constitution)
Risk sessions with managers to embed risk appetite	Part of the service planning workshop held for all managers in February 2017
Consultation on new Transformation Programme	Completed and feedback incorporated into Transformation Programme
Corporate staff training programme to support new transformation programme	Learning and Development Plans in place for all service areas; commercial workshops run by Corporate Director
Annual review of project management arrangements	To be reported to Transformation Board in Q1 (July 2017)
Phase 2 of corporate information management focusing on electronic information	Successful Information Management November 2016
Review of contract register, SLA register & partnership register to combine into one	Part of the service planning workshop held for all managers in February 2017

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7. Action plan for 2017/18

Action	Outcome	Lead officer	Target date
To review contract monitoring arrangements (Principle C)	To ensure that contract arrangements comply with corporate guidelines, that accurate information can be published and that contracts are renewed in a timely manner	Suzanne Rolfe	By Sep 2017
To implement the actions identified following scrutiny training (Principle D)	To improve the effectiveness of scrutiny following the recent training e.g. reviewing work plans to remove items for noting to free up time for more proactive scrutiny work	Phil Drury	By Dec 2017
To plan for the implementation of the General Data Protection Regulation (GDPR) (Principle F)	To ensure compliance with the new regulation due to come into force in May 2018 (emerging issue)	Michelle Sacks	By Mar 2018


Where issues are not significant but related actions and/or projects are planned, these will be recorded in service plans for 2017/18 and reported as usual as part of the quarterly monitoring arrangements.

8. Conclusion

This statement outlines why 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. Planned actions will be recorded in service plans for 2017/18 and reported back in the next annual review.

9. Signatories

Councillor Mike Cooper, Leader of the Council:

Phil Drury, Chief Executive:



Independent auditor's report to the Members of Boston Borough Council

We have audited the financial statements of Boston Borough Council for the year ended 31 March 2017 on pages 2 to 67. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

Respective responsibilities of the *Strategic Director – Resources* and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on financial statements

In our opinion the financial statements:

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

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

Authority's responsibilities

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

Auditor's responsibilities

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

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

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

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

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied

that, in all significant respects, Boston Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

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



John Cornett

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

St Nicholas House

31 Park Row

Nottingham

NG1 6FQ

7 August 2017

STATEMENT OF ACCOUNTS

2016/17

Boston Borough Council

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STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Strategic Director – Resources.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

THE STRATEGIC DIRECTOR – RESOURCES' RESPONSIBILITIES

The Strategic Director – Resources is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices, as set out in the Chartered Institute of Public Finance and Accountancy/Local Authority Scotland Accounts Advisory Committee's "Code of Practice on Local Authority Accounting in the United Kingdom" ("the Code of Practice").

In preparing this Statement of Accounts, the Strategic Director – Resources has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code of Practice

The Strategic Director – Resources has also:

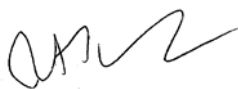
- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Strategic Director – Resources should sign and date the Statement of Accounts, stating that it gives a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2017.

CERTIFICATE

I hereby certify that the following Statement of Accounts gives a true and fair view of the financial position of Boston Borough Council at 31 March 2017 and its income and expenditure for the financial year ended 31 March 2017.

Rob Barlow
Strategic Director – Resources
31 July 2017



FORMAL APPROVAL

The Audit and Governance Committee is due to approve the audited Statement of Accounts on 31 July 2017.


On behalf of the Council
Councillor Gordon Gregory, Chairman of the Audit and Governance Committee

Boston Borough Council

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EXPENDITURE AND FUNDING ANALYSIS

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

Net Expenditure Chargeable to the General Fund balance	Adjustments between the Funding and Accounting Basis (Note 6a)	2015/16 Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund balance	Adjustments between the Funding and Accounting Basis (Note 6a)	2016/17 Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
850	151	1,001	Property, Building Control and IT	777	145	922
1,285	(301)	984	Financial Services including Housing Benefits payments and grants	918	(354)	564
656	77	733	Customer services, Democratic services and Planning	758	69	827
590	46	636	Business Transformation	524	34	558
1,244	336	1,580	Housing, Environmental Health and Communities	889	974	1,863
1,116	595	1,711	Operations	783	471	1,254
317	39	356	Corporate services	798	18	816
(87)	446	359	Leisure, Culture and Heritage	(501)	1,038	537
66	306	372	Economic Development	35	80	115
6,037	1,695	7,732	Net Cost of Services	4,981	2,475	7,456
(5,180)	(709)	(5,889)	Other Income and Expenditure	(4,928)	(1,274)	(6,202)
857	986	1,843	(Surplus) or Deficit	53	1,201	1,254
9,413			Opening General Fund Balance (including Earmarked Reserves)	8,556		
(857)			Less Deficit on General Fund / Earmarked Reserves	(53)		
8,556			Closing General Fund Balance and Earmarked Reserves	8,503		

Boston Borough Council

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COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This 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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

RESTATED 2015/16			2016/17			Notes
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
1,461	(460)	1,001	1,444	(522)	922	-
21,898	(20,914)	984	20,255	(19,691)	564	-
1,844	(1,111)	733	1,816	(989)	827	-
655	(19)	636	571	(13)	558	-
3,601	(2,021)	1,580	2,958	(1,095)	1,863	-
3,072	(1,361)	1,711	3,116	(1,862)	1,254	-
387	(31)	356	850	(34)	816	-
2,450	(2,091)	359	2,785	(2,248)	537	-
540	(168)	372	201	(86)	115	-
35,908	(28,176)	7,732	33,996	(26,540)	7,456	
2,145	-	2,145	2,286	-	2,286	10
1,749	(648)	1,101	1,737	(664)	1,073	11
5,551	(14,686)	(9,135)	6,018	(15,579)	(9,561)	12
45,353	(43,510)	1,843	44,037	(42,783)	1,254	
		36			(18)	
		(11,421)			2	
		-			(43)	
		(6,758)			1,016	
		(18,179)			975	
		(16,300)			2,211	

Boston Borough Council

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MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

2015/16	Earmarked Reserves £'000	General Fund £'000	Total General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Boston Town Area Committee £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31st March 2015	7,760	1,653	9,413	103	221	101	9,838	(8,117)	1,721
Movement in reserves during 2015/16									
Total Comprehensive Income and Expenditure	-	(1,843)	(1,843)	-	-	(36)	(1,879)	18,179	16,300
Adjustments between accounting basis & funding basis under regulations (Note 8)	-	988	988	-	145	-	1,133	(1,133)	-
Increase / (Decrease) in 2015/16	-	(855)	(855)	-	145	(36)	(746)	17,046	16,300
Transfers to / from Earmarked Reserves (Note 9)	(857)	857	-	-	-	-	-	-	-
Other movements	-	(2)	(2)	-	-	-	(2)	2	-
Balance at 31st March 2016 carried forward	6,903	1,653	8,556	103	366	65	9,090	8,931	18,021

2016/17	Earmarked Reserves £'000	General Fund £'000	Total General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Boston Town Area Committee £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31st March 2016	6,903	1,653	8,556	103	366	65	9,090	8,931	18,021
Movement in reserves during 2016/17									
Total Comprehensive Income and Expenditure	-	(1,254)	(1,254)	-	-	18	(1,236)	(975)	(2,211)
Adjustments between accounting basis & funding basis under regulations (Note 8)	-	1,178	1,178	10	(19)	-	1,169	(1,169)	-
Increase / (Decrease) in 2016/17	-	(76)	(76)	10	(19)	18	(67)	(2,144)	(2,211)
Transfers to / from Earmarked Reserves (Note 9)	(53)	53	-	-	-	-	-	-	-
Other movements	-	23	23	-	-	-	23	(23)	-
Balance at 31st March 2017 carried forward	6,850	1,653	8,503	113	347	83	9,046	6,764	15,810

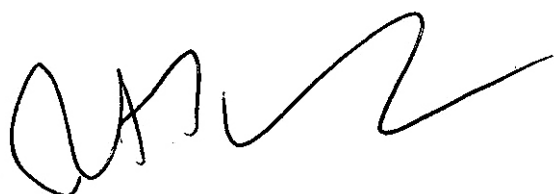
Boston Borough Council

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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 is usable reserves, i.e. those reserves that the Council may use to provide services in future years, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. These include unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

2015/16 £'000		Notes	2016/17 £'000
28,613	Property, Plant and Equipment	13	27,879
7,927	Heritage Assets	14	8,020
3,257	Investment Property	16	3,281
77	Intangible Assets	-	78
181	Long Term Debtors	17	120
40,055	Long Term Assets	-	39,378
7,772	Short Term Investments	-	9,570
22	Inventories	-	22
2,896	Short Term Debtors	19	3,688
4,315	Cash and Cash Equivalents	20	2,329
15,005	Current Assets	-	15,609
(4,300)	Short Term Creditors	21	(4,276)
(883)	Short Term Provisions	22	(883)
(5,183)	Current Liabilities	-	(5,159)
-	Long Term Provisions	-	-
(1,000)	Long Term Borrowing	18	(1,000)
(30,856)	Other Long Term Liabilities	37	(33,018)
(31,856)	Long Term Liabilities	-	(34,018)
18,021	NET ASSETS	-	15,810
(9,090)	Usable Reserves	9	(9,046)
(8,931)	Unusable Reserves	24	(6,764)
(18,021)	TOTAL RESERVES	-	(15,810)



Boston Borough Council

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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.

2015/16 £'000		2016/17 £'000
1,843	Net (surplus) or deficit on the provision of services	1,254
(5,959)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 25.1)	(2,941)
421	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 25.2)	600
(3,695)	Net cash flows from Operating Activities	(1,087)
5,971	Investing Activities (Note 26)	2,693
715	Financing Activities (Note 27)	380
2,991	Net (increase) or decrease in cash and cash equivalents	1,986
(7,306)	Cash and cash equivalents at the beginning of the reporting period	(4,315)
(4,315)	Cash and cash equivalents at the end of the reporting period (Note 20)	(2,329)

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

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

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

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

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in the statement and at the Technical Appendix, 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 concern the following:

- a. There is uncertainty about future levels of funding for local government notably issues around welfare reform and localisation of Business Rates. Government have said that Councils will get to keep 100% of business rates income from 2020, but will also need to take on new responsibilities. The Council has determined that the information regarding this is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision;
- b. One factor that has demonstrable impacts in the past four years on the accounts concerns the assumptions surrounding pensions and the likelihood of legislative change and the impact of such change. The sensitivity analysis, shown in note 37 page 57, estimates the likely impact of changes to the assumptions used when reporting the pension liability.
- c. The Council has no relationships with other entities which take the form of a parent/subsidiary, associate or joint control arrangement;
- d. It is anticipated no substantial legal claims or appeals will be made against the Council in the next financial year;
- e. No contracts with other bodies need to be accounted for as a service concession or contain an embedded lease

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

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

Most significant estimates are for pensions, bad debts and accruals. Each of these has a different process for making the estimate:

- a. Pension estimates are provided by the Actuary Hymans Robertson LLP and we place assurance on the use of suitably qualified professionals to provide this estimate;

Boston Borough Council

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- b. Bad debt estimates are an officer judgement based on prudent historical collection rates and taking into account knowledge of existing conditions on outstanding debts, particularly given the current economic climate and future changes in relation to welfare reform; at 31 March 2017 the Authority had an outstanding balance of £2.819m in relation to Housing Benefits Overpayments. A review of these outstanding balances suggested that a prudent impairment of doubtful debts is used. This is due to risks regarding the Council's ability to reclaim these overpayments in the future once housing benefit is passed over to the Department for Work and Pensions.
- c. Purchase accruals – these are generally low in volume and value, but with items such as utility accruals they are based on past bills / seasonality / readings with officer judgement and current contract prices;
- d. Provisions are similar to purchase accruals being low in both volume and value;

4. MATERIAL ITEMS OF INCOME AND EXPENSE

Material Items of Income or Expense Accounting Policy

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.

There are no such items in the 2016/17 Comprehensive Income and Expenditure Statement.

5. EVENTS AFTER THE REPORTING PERIOD

Events after the Reporting Period Accounting Policy

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. The 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.

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NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

6a. ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments between Funding and Accounting Basis 2015/16			
	Adjustments for Capital Purposes (Note 1)	Net change for Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000	£000	£000	£000
Property, Building Control and IT	86	58	7	151
Financial Services	19	(320)	-	(301)
Customer services, Democratic services and Planning	-	88	(11)	77
Business Transformation	5	46	(5)	46
Housing, Environmental Health and Communities	214	125	(3)	336
Operations	429	150	16	595
Corporate services	-	36	3	39
Leisure, Culture and Heritage	345	107	(6)	446
Economic Development	305	2	(1)	306
Net Cost of Services	1,403	292	-	1,695
Other income and expenditure from the Expenditure and Funding Analysis	(1,714)	1,170	(165)	(709)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(311)	1,462	(165)	986

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

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NOTES TO NOTE 6a

1. Adjustments for Capital Purposes

This column adds in depreciation and impairment and removes capital grants 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. revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

2. 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 authority 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.

3. Other Differences

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

- **For Financing and investment income and expenditure** – 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.

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6b. SEGMENTAL INCOME

Income received on a segmental basis is analysed below:

Service Segment	Income Area	2015/16 Income from Services £000	2016/17 Income from Services £000
Property, Building Control and IT	Building Control	174	164
Customer services, Democratic services and Planning	Planning	549	472
Customer services, Democratic services and Planning	Land Charges	111	105
Customer services, Democratic services and Planning	Licensing	132	138
Operations	Garden Waste	-	378
Operations	Bereavement	718	803
Operations	Trade Waste	155	167
Leisure, Culture and Heritage	Parking	1,013	1,008
Leisure, Culture and Heritage	Markets	185	172
Leisure, Culture and Heritage	Leisure	840	790
Total Income analysed on a segmental basis		3,877	4,197

7. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

Expenditure / Income	2015/16 £'000	2016/17 £'000
Expenditure		
Employee benefits expenses	8,541	8,456
Supplies and Services	4,420	3,995
Premises	976	874
Transport	260	275
Transfer payments	19,448	18,222
Depreciation, amortisation, impairment, capital expenditure funded from revenue	2,739	2,719
Interest payments (including pensions interest)	1,273	1,191
Precepts and levies	7,679	8,296
Gain on disposal of assets	17	9
Total expenditure	45,353	44,037
Income		
Fees, charges and other service income	(6,243)	(7,107)
Interest and investment income	(86)	(99)
Income from council tax and non-domestic rates	(13,064)	(12,474)
Government grants and contributions	(24,117)	(23,103)
Total income	(43,510)	(42,783)
(Surplus) or Deficit on the Provision of services	1,843	1,254

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against:

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

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2015/16	Usable Reserves	
	General Fund Balance £000	Capital Grants Unapplied £000
Adjustments to Revenue Resources		
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.		
- Pensions costs (transferred to (or from) the Pensions Reserve)	1,462	-
- Council tax and business rates (transfers to or from Collection Fund Adjustment Account)	(162)	-
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	932	-
Total Adjustments to Revenue Resources	2,232	-
Adjustments between Revenue and Capital Resources		
- Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	245	-
Total Adjustments between Revenue and Capital Resources	245	-
Adjustments to Capital Resources		
Application of capital grants to finance capital expenditure	(1,489)	145
Total Adjustments to Capital Resources	(1,489)	145
Total Adjustments	988	145

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2016/17	Usable Reserves		
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
	£000	£000	£000
Adjustments to Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.			
- Pensions costs (transferred to (or from) the Pensions Reserve)	1,146	-	-
- Council tax and business rates (transfers to or from Collection Fund Adjustment Account)	(590)	-	-
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	2,717	10	-
Total Adjustments to Revenue Resources	3,273	10	-
Adjustments between Revenue and Capital Resources			
- Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(1,795)	-	-
Total Adjustments between Revenue and Capital Resources	(1,795)	-	-
Adjustments to Capital Resources			
Application of capital grants to finance capital expenditure	(300)	-	(19)
Total Adjustments to Capital Resources	(300)	-	(19)
Total Adjustments	1,178	10	(19)

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9. TRANSFERS TO / FROM EARMARKED RESERVES

Reserves Accounting Policy

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

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

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This note sets out the amounts set aside from the General Fund in earmarked reserves (balances above £100,000 at 31 March 2017 are detailed) to provide financing for future expenditure plans, and the amounts posted back from earmarked reserves to meet General Fund expenditure. It also includes a total for other usable reserves (including the General Fund) with the overall total agreeing to the Balance Sheet.

	Balance at 31/3/15 £'000	Movements 2015/16		Balance at 31/3/16 £'000	Movements 2016/17		Balance at 31/3/17 £'000	Purpose of Reserve
		Transfers In £'000	Transfers Out £'000		Transfers In £'000	Transfers Out £'000		
Capital Funding	2,216	1,160	(1,250)	2,126	1,414	(885)	2,655	To fund future Capital projects
Transformation Reserve	1,242	113	(408)	947	139	(159)	927	To be used to fund the Transformation programme projects
Repairs and Renewals	738	11	(88)	661	50	(40)	671	To fund repairs to Council premises that are not within the current programme of works
ICT Reserve	490	-	(47)	443	15	(34)	424	To fund future technological projects
Housing Reserves	1,845	48	(318)	1,575	32	(493)	1,114	Revenue grant funding for Homelessness expenditure and County wide homelessness schemes, includes New Homes bonus
Climate change reserve	121	15	(48)	88	47	-	135	Funding the climate change projects and risks associated with increasing energy prices
Value added tax Partial Exemption	139	-	-	139	-	(139)	-	Source of funds in the event of exceeding value added tax partial exemption limit. Moved to Tax Reserve
Insurance Reserve	170	30	-	200	30	-	230	For increased insurance policy excesses.
Misc. Earmarked Reserves	29	-	(14)	15	-	(2)	13	Various reserves with balances under £100,000.
Tax Reserve	770	350	(411)	709	891	(919)	681	For risk of reaching the safety net and deficits in future years for business rates and for funds in the event of exceeding the value added tax partial exemption limit.
Total Earmarked Reserves	7,760	1,727	(2,584)	6,903	2,618	(2,671)	6,850	
Other Usable Reserves	2,078	145	(36)	2,187	68	(59)	2,196	Mainly General Fund /Capital receipts and Capital Grants Unapplied (refer to the MIRS)
Total Usable Reserves	9,838	1,872	(2,620)	9,090	2,686	(2,730)	9,046	

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NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

10. OTHER OPERATING EXPENDITURE

2015/16 £'000		2016/17 £'000
334	Parish Precepts	455
	Internal Drainage Boards	
993	• Witham Fourth	1,013
747	• Black Sluice	755
53	• Welland and Deeping	53
1	• South Holland	1
17	(Gains) / losses on disposal of non-current assets	9
2,145	Total	2,286

11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2015/16 £'000		2016/17 £'000
111	Interest payable and similar charges	111
1,162	Net interest on the net defined benefit liability (asset)	1,080
(91)	Interest receivable and similar income	(103)
(106)	Income and expenditure in relation to investment properties and changes in their fair value (see note 14)	(90)
25	Trading Accounts (see note 28)	75
1,101	Total	1,073

12. TAXATION AND NON SPECIFIC GRANT INCOMES

2015/16 £'000		2016/17 £'000
(3,353)	Council tax income	(3,637)
	Non domestic rates income and expenditure	
(2,143)	• Retained Business Rates after payment of tariff	(2,819)
(1,908)	Revenue Support Grant	(1,430)
(1,616)	Non-ring fenced government grants	(1,675)
(115)	Capital grants	-
(9,135)	Total	(9,561)

NOTES TO THE BALANCE SHEET

13. PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment Accounting Policy

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 de minimus limit for land and buildings is £10,000 and for equipment it is £5,000. Changes in the valuer's assessment of land value as at 31 March are applied prospectively as a change in estimates. 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.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Community assets and assets under construction – depreciated historical cost (DHC)
- Vehicles, plant and equipment – DHC as a proxy for existing use value
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of 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

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lives or low values (or both), depreciated historical cost basis is used as a proxy for current value. Residual values will be nil, unless otherwise stated.

Assets included in the Balance Sheet at current or fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current or fair value at the year-end. All items of property valued in excess of £1m are valued annually. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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.

Componentisation

Componentisation is a method, used for accounting and financial reporting purposes, to ensure assets are accurately included on the Balance Sheet and that the consumption of economic benefit of these assets is accurately reflected over their individual useful lives through depreciation charges.

The Code requires the separate recognition of two or more significant components of an asset for depreciation purposes – i.e. as if each component was a separate asset in its own right.

The Council will follow these requirements where significant components of material items of assets have been identified.

A component is defined as such part of an items of property, plant and equipment with a cost that is significant in relation to the total cost of the item, if the value of the component is 25% or more of the total gross carry value of the building.

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Even if the cost of a component is significant in relation to the total cost of an item of Property, Plant & Equipment, from an accounting perspective, it is not necessary to identify the value of that component if its useful life and required method of depreciation is in line with the overall asset.

Where there is more than one significant part of the same asset which has the same useful life and depreciation method such parts will be grouped in determining the depreciation charge.

Componentisation will not be applied retrospectively and will be considered only for new revaluations carried out after 1 April 2011 and when enhancement and/or acquisition expenditure is incurred after that date.

Component accounting will only be considered and applied in cases where the omission to recognise and depreciate a separate component may result in material differences in the statement of accounts.

Componentisation will not be applied to items of Property, Plant & Equipment where the depreciation of the item as a single asset is unlikely to result in a material misstatement of either the depreciation charges or the carrying amount of the Property, Plant & Equipment.

The Council recognises two primary components of a property asset which will be accounted for separately namely:

- Land, and
- Buildings

Componentisation is not applicable to land as land is non-depreciable and is considered to have infinite life.

The Council has determined that any building with a gross carry amount of less than £500,000, useful economic life of less than 15 years or both will not be considered for component accounting on the grounds of not being material.

The Council also recognises three secondary components of the Buildings primary component; namely:

- Structure (e.g. walls, roofs, floors etc)
- Mechanical & Electrical (e.g. plant, lifts, air conditioning, wiring etc)
- Fixtures & Fittings (e.g. windows, kitchens, toilets etc)

At revaluation the basis for componentisation is current or fair value (EUV) for the relevant asset class.

Where a component is replaced or restored (i.e. enhancement), the carrying amount of the old component will be derecognised before reflecting the enhancement (applicable from 1 April 2011).

Considering materiality and based on gross carrying values, componentisation for secondary components will only be undertaken where the building value exceeds the de minimus level of £500,000 and when the triggers for componentisation are present – i.e. revaluation or enhancement expenditure incurred after 1 April 2010.

Disposals and Non-current Assets held for Sale

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

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale;

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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 (ie 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 fixed 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.

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	Other Land and Buildings £'000	Vehicles, Plant Furniture, & Equipment £'000	Assets Under Construction £'000	Community Assets £'000	Surplus Assets £'000	Total Property Plant and Equipment £'000
Cost or Valuation At 1 April 2016	26,626	6,563	482	62	5	33,738
additions	777	100	-	-	-	877
Revaluation increases/(decreases) recognised in the Revaluation Reserve	878	-	-	-	-	878
Reclassified	482	-	(482)	-	-	0
De-recognition – disposals	-	(9)	-	-	-	(9)
De-recognition – other	-	-	-	-	-	-
Other movements in cost or valuation	(2,093)	-	-	-	-	(2,093)
At 31 March 2017	26,670	6,654	-	62	5	33,391
Accumulated Depreciation and Impairment at 1 April 2016	-	(5,063)	-	(62)	-	(5,125)
depreciation charge	(1,107)	(382)	-	-	-	(1,489)
impairment (losses)/reversals recognised in the Revaluation Reserve	(971)	(5)	-	-	-	(976)
impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(15)	-	-	-	-	(15)
Reclassified	-	-	-	-	-	-
De-recognition – other	-	-	-	-	-	-
Other movements in depreciation and impairment	2,093	-	-	-	-	2,093
At 31 March 2017	-	(5,450)	-	(62)	-	(5,512)
Net Book Value						
at 31 March 2017	26,670	1,204	-	-	5	27,879
at 31 March 2016	26,626	1,500	482	-	5	28,613

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	Other Land and Buildings £'000	Vehicles, Plant Furniture, & Equipment £'000	Assets Under Construction £'000	Community Assets £'000	Surplus Assets £'000	Total Property Plant and Equipment £'000
Cost or Valuation At 1 April 2015	15,837	6,469	-	4	5	22,315
additions	272	277	482	58	-	1,089
Revaluation increases/(decreases) recognised in the Revaluation Reserve	717	-	-	-	-	717
Reclassified	10,383	-	-	-	-	10,383
De-recognition – disposals	-	(17)	-	-	-	(17)
De-recognition – other	-	-	-	-	-	0
Other movements in cost or valuation	(583)	(166)	-	-	-	(749)
At 31 March 2016	26,626	6,563	482	62	5	33,738
Accumulated Depreciation and Impairment at 1 April 2015	-	(4,859)	-	(4)	-	(4,863)
depreciation charge	(485)	(363)	-	-	-	(848)
impairment (losses)/reversals recognised in the Revaluation Reserve	(87)	(2)	-	-	-	(89)
impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(11)	(5)	-	(58)	-	(74)
Reclassified	-	-	-	-	-	-
De-recognition – other	-	-	-	-	-	-
Other movements in depreciation and impairment	583	166	-	-	-	749
At 31 March 2016	-	(5,063)	-	(62)	-	(5,125)
Net Book Value						
at 31 March 2016	26,626	1,500	482	-	5	28,613
at 31 March 2015	15,837	1,610	-	-	5	17,452

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13.1 Depreciation

Depreciation Accounting Policy

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

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, furniture and equipment –straight-line allocation normally over five to ten years, after the application of any residual value, in agreement with 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.

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 if material.

Depreciation on buildings is calculated based on the estimated remaining useful lives of individual assets which is assessed by professional valuers on behalf of the Council. Depreciation is applied using the previous year's assessment less one year (unless the minimum level below is reached) and changes in the valuers assessment of remaining useful life as at 31 March are applied prospectively as a change in estimates.

The following ranges of remaining useful lives are used:

Property Land and Buildings	2-100 years
Vehicles, Plant, Furniture and Equipment	1-9 years

13.2 Revaluations

The Council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at the least every five years. All valuations are carried out by external, suitably qualified professional valuers. The Council appointed East Lindsey District Council's Property and Technical Services Team to undertake valuations. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on historic cost.

	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Surplus Assets £000	Total £000
Carried at historical cost	-	1,204	-	1,204
Valued at fair value as at: 31 March 2017	26,670	-	5	26,675
Total Cost or Valuation	26,670	1,204	5	27,879

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14. HERITAGE ASSETS

Heritage Assets Accounting Policy

The Council's Heritage Assets are held in storage, at the Municipal Buildings and at the Guildhall, and are 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 accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below. The Council engaged professional valuers to value heritage assets thought to have significant value (more than £500 each item). This valuation has been used to inform the valuations of heritage assets in the Balance Sheet and in accordance with the general policy relating to property plant and equipment, with the cost of retail replacement for the purpose of insurance used as a proxy for market value. The Council will seek valuation of material assets within five years. The Council's collection of heritage assets is accounted for as follows:

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

Coins and Medals

The numismatics collection accounts for roughly a tenth of the overall museum collection. The coins date from the Roman Empire through to the twentieth century and are from Europe (including Scandinavia), the United Kingdom (including the Channel Islands) and other countries such as Japan, Hong Kong, Morocco and others. The majority of these were minted in the nineteenth and twentieth centuries with some earlier periods represented, particularly in the Roman coins.

Trading tokens constitute a small but significant area of the collection. There are examples from the borough area, covering approximately the last four centuries, as well as two sixteenth century German examples and a fifteenth century French token. In addition there are also trading tokens within the collection listed as un-provenanced and are connected to places outside of the borough boundaries.

Whilst the medals are mostly nineteenth century and commemorative the collection of coins is widely varied in terms of chronological and geographical range. The medals can be divided into nationally commemorative and locally commemorative. The national medals focus on royal occasions; coronations and marriages for example whilst the locally commemorative medals are celebrating local events or occasions within Boston and its borough.

The coins and medals collection is deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.

Art Collection

Art makes up the second largest element of the museum collection. The collection is largely works of local scenes including maritime themes and portraits of past town Mayors. The majority of artists are linked to the town with a few such as Enderby and Etty who are recognised nationally. All of the works in this collection are two dimensional and cover a wide range of media: watercolours, oil, pencil, pastel and prints. The more significant works have been valued and are reported in the Balance Sheet at market value.

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The assets within the art collection are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

Silverware, Charters and Civic Regalia

The silverware and civic regalia collection includes gold, silver and brass items and the more significant pieces are reported in the Balance Sheet at market value. The items in the collection are valued by an external valuer. The assets within this collection are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

Archaeology

The archaeological collection is the third largest collection at the museum. The objects are placed into this categorisation if they are found and acquired by archaeological means, for example from an excavation site or as a casual find. The majority of this collection has been acquired through donation, either by individual donors or by the Boston Archaeology Group.

The collection is sub-divided by period; Prehistoric, Roman, Saxon/Viking, Medieval (1000-1500) and post Medieval (1500–1800), which is then further sub-divided into sixteenth, seventeenth and eighteenth century and general. Acquisitions are initially recognised at cost, or if bequeathed or donated at nil consideration.

Natural History

A small selection of natural history specimens is held in the museum collection. During the 1920's and 1930's a significant part of this collection was donated. These objects included shells and coral from the South Sea Islands, fossils, animal tusks and bones and geological specimens such as minerals, crystals and lava fragments. As this collection of objects was one of the earliest significant donations to enter the museum, it is presumed that the displays and reputation of the museum would have been initially based around these objects. Therefore this collection of objects will be retained and cared for by the museum Council as part of its historic collections. The Council does not consider that reliable cost or valuation information can be obtained for its natural history collection. This is because of the nature of the assets held and lack of comparable market values.

Social History

The largest of the collections and most varied being comprised of mostly 19th and 20th century collection material which is sub-divided into smaller categorised collections which are derived from the Social History and Industrial Classification system; Community, Domestic, Personal and Working. Community life is the broadest category covering areas from entertainment to religion whilst also encompassing the specific areas of the Pilgrim Fathers and a collection of items relating to the Odd Fellows Society. In addition to the varied objects and documents that form these collections there are also collections of decorative arts, three-dimensional art and costume. The more significant objects are recorded in the balance sheet at valuation by an external valuer, with the remainder held at cost.

Ethnography

This is a small collection where the objects have been categorised due to them being non-British, not belonging within any of the other collections and not being related to Boston, Massachusetts (in which case objects are classified as Social History).

Handling/Education

A small collection of objects which has not been accessioned into the collection as its purpose is purely for educational reasons and for handling. The items in this category are held at cost.

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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 the 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 relation 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.

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

2016/17								
Cost or Valuation	£,000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Coins and Medals	Art Collection	Silverware, Charters and Civic Regalia	Archaeology	Ancient Monuments and Heritage Sites in Boston	Social History	Unaccessioned Pieces	TOTAL
1 April 2016	4	522	681	2	6,364	349	5	7,927
Additions	-	-	-	-	-	6	-	6
Reclassification	-	-	-	-	-	-	-	-
Revaluations Up	-	3	-	-	92	-	-	95
Revaluations Down	-	-	(2)	-	-	(6)	-	(8)
31 March 2017	4	525	679	2	6,456	349	5	8,020
Comparative Movements 2015/16								
1 April 2015	4	522	681	2	5,954	349	5	7,517
Additions	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-
Revaluations Up	-	-	-	-	410	-	-	410
31 March 2016	4	522	681	2	6,364	349	5	7,927

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15. HERITAGE ASSETS - SUMMARY OF TRANSACTIONS

No Heritage Assets were acquired or disposed of in the year, as in the previous year. The insurance value of Heritage Assets has increased as part of the annual asset revaluation programme. The increase in value has been treated as a revaluation gain and reflected in the Revaluation Reserve. The Head of Service responsible for the service area which maintains the museum collection has indicated that the value shown on the Balance Sheet reflects all items of material value to the Council.

16. INVESTMENT PROPERTY

Investment Property Accounting Policy

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.

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.

	2015/16 £'000	2016/17 £'000
Rental income from investment property	(186)	(204)
Direct operating expenses arising from investment property	80	114
Net (gain) / loss	(106)	(90)

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.

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	2015/16 £'000	2016/17 £'000
Balance at start of the year	3,238	3,257
Additions and enhancements/(Disposals)	-	24
Net gains / (losses) from fair value adjustments	19	-
Transfers:		
• (To) / from Property, Plant and Equipment	-	-
Balance at end of the year	3,257	3,281

The Council's investment properties were valued based on appraisals performed by independent, RICS qualified valuers. Most properties are leased out on operating leases (see table on previous page for income and expenditure) and income depends upon the type of the asset, the location, the lease arrangements, etc. The significant inputs and assumptions used were developed in conjunction with the Council and resulted in the following valuation techniques and inputs:

All investment properties were valued using unobservable inputs which are inputs for which market data is not available that are developed using the best information available to the Council about the assumptions that market participants would use when pricing the asset or liability. The property assets are let on specific lease terms and comprise unique types of property in addition to more common-place property such as shops, offices and yards. Consequently there is no comparable data with which to make comparison in terms of geographic location, trading position with Boston and the covenant strength of the tenant. Significant unobservable inputs include any adjustment made for the valuers judgement; although this is a subjective judgement the Council considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions. Other significant inputs, all of which are unobservable and are valuation sensitivities, are the variations in passing/notional rental income, projected rent variations at review/renewal and yields adopted. Percentage and monetary variations in value are affected by both yield and rent inputs to each valuation. The overall valuations are sensitive to the assumptions listed and the Council considers the range of reasonably possible alternative assumptions would not produce valuations which are materially different from those provided by the valuers.

17. FINANCIAL INSTRUMENTS

Financial Instruments Accounting Policy

Financial Assets

Financial assets are classified into two types;

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments. The Council holds unit trusts in property fund which are considered to be this type of asset.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the

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asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

If the Council were to make a loan to a voluntary organisation at less than market rates (soft loan), and the impact is deemed material, the Accounting treatment would be as follows: When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

The Council has made a number of soft loans e.g. village halls and car loans and these have been identified in the statement but are deemed not to be material in terms of their impact on the Comprehensive Income and Expenditure Statement and therefore no adjustments have been made.

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

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available for Sale Assets

Available for sale assets are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line on the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the authority.

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

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – multiple valuation techniques (which include market approach, income approach and cost approach).

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

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

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- Level 3 inputs – unobservable inputs for the asset.

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

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive

Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

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

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the Council's long term borrowing, this means that the amount presented in the Balance Sheet is the outstanding principal repayable, and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Provision of Services in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gains/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

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Categories of Financial Instruments

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

	Long-Term		Current	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
Financial Liabilities at amortised cost	(1,000)	(1,000)	(1,999)	(1,602)
Total Borrowings	(1,000)	(1,000)	(1,999)	(1,602)
Loans and receivables	181	120	13,294	12,188
Available for sale financial assets	-	-	-	1,048
Total Investments	181	120	13,294	13,236

Income, Expense, Gains and Losses

	2015/16		2016/17		
	Financial Liabilities	Financial Assets	Financial Liabilities	Financial Assets	Financial Assets
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Available for sale financial Assets £'000
Interest payable and similar charges	(111)		(111)		
Interest and Investment income		91		104	
Increases in fair value					43
Net gain/(loss) for the year	(111)	91	(111)	104	43

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments. These are level 2 inputs which are those inputs other than quoted prices that are observable for the asset, either directly or indirectly. The following assumptions have been used to arrive at the fair value of assets and liabilities:

- For loans payable, and borrowing/premature repayments, a rate of 3.05%, has been used to provide the fair value (as calculated by the Council's treasury advisors).
- The Council currently has no long term investments.
- Long term debtors mainly relate to staff car loans and the difference between the carrying value and the fair value is not reflected in the accounts as it is deemed not material.
- 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.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- The fair value of property funds (available for sale financial assets) is based on the capital value of the funds at 31 March 2017.

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The fair values calculated are as follows:

	31 March 2016		31 March 2017	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities	(2,999)	(4,729)	(2,602)	(4,632)
Loans and receivables	13,475	13,475	13,356	13,356

The fair value of the liabilities is greater than the carrying amount because the Council's loan is a fixed rate loan where the interest rate payable is higher than the prevailing rates for a similar loan at the Balance Sheet date. Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms; and
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.
- Price risk – The Council, excluding the County Council managed pension fund, does not invest in equity shares or marketable bonds.
- Foreign exchange risk – The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

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

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- By the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- By approving annually in advance prudential and treasury indicators for the following three years limiting:
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures to the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

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These policies are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The 2016/17 Annual Treasury Management Strategy which incorporates the prudential indicators and treasury activity limits was approved by Council in March 2016. The key targets within the strategy were:

- The Authorised Limit for 2016/17 was set at £2m (£2m in 2015/16). This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £1m (£1m in 2015/16). This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 0% (100% and 0% respectively in 2015/16) based on the Council's net debt.

The Treasury Management Policy and Strategy is monitored by the Treasury Management team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

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 in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

This Council uses the creditworthiness service provided by Capita. 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 2016/17 was approved by Full Council in March 2016 and is available on the Council's website.

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

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

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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.

Credit risk	Amount	Historical Experience of Default	Adjustment for market conditions	Estimated maximum exposure to default	Estimated maximum exposure to default
	31/3/17 £'000	31/3/17 %	31/3/17 %	31/3/17 £'000	31/3/17 £'000
Deposits with banks and Financial Institutions	10,876	0.02	0.02	2	2
Customers (debtors receivable)	3,720	4	4	149	118

Breaches of the Council's counterparty criteria occurred during the reporting period. However, the Council does not expect any losses from non-performance by any of its counterparties in relation to its deposits.

The Council does not generally allow credit for its trade or sundry debtors. However, there are 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. The past due amount can be analysed by age as follows:

Aged debt analysis	2015/16 £'000	2016/17 £'000
Less than three months	697	936
Three to six months	462	513
Six months to one year	528	378
More than one year	1,266	1,893
	2,953	3,720

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 treasury activity limits, 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 short term borrowings from the money markets to cover any day to day cash flow need, and the Public Works Loan Board (PWL) and money markets for 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.

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The Council's borrowings at 31 March 2017 consisted of a single £1m loan, repayable in 2051. Short term liquidity is managed through the investment portfolio and the maturity analysis of these financial instruments is as follows:

Maturity Analysis of Financial Instruments	31 March 2016 £'000	31 March 2017 £'000
Less than one year	12,087	11,899
One to 5 years	181	120

Refinancing and Maturity risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments with the policy of not investing for greater than one year in duration are the key parameters used to address this risk. The Council-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; currently the Council is not committed to further borrowing.
- 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.

The maturity analysis of financial liabilities is as follows

Maturity Analysis of Financial Liabilities	31 March 2016 £'000	31 March 2017 £'000
More than five years	(1,000)	(1,000)

Market risk

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

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement would rise if the Council held borrowings of this type;
- Borrowings at fixed rates – the fair value of the borrowing will fall in the Financial Instruments note, but the Balance Sheet value will be unchanged as borrowing is held at nominal value (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall in the Financial Instruments note, but the Balance Sheet value will be unchanged as investments are held at nominal value (no impact on revenue balances).

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

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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.

19. DEBTORS

	31 March 2016 £'000	31 March 2017 £'000
Central government bodies	140	841
Other Local Authorities	1,036	653
NHS Bodies	7	5
Other entities and individuals	1,713	2,189
Total	2,896	3,688

20. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents Accounting Policy

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

	31 March 2016 £'000	31 March 2017 £'000
Cash held by the Council	1	1
Bank current accounts	(49)	66
Call and Short term deposits with Counterparties	4,363	2,262
Total Cash and Cash Equivalents	4,315	2,329

21. CREDITORS

	31 March 2016 £'000	31 March 2017 £'000
Central government bodies	(1,437)	(1,740)
Other local authorities	(311)	(21)
NHS Bodies	-	-
Other entities and individuals	(2,552)	(2,515)
Total	(4,300)	(4,276)

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22. PROVISIONS

	Other provisions £000	Total £000
Balance at 1 April 2016	(883)	(883)
Additional provisions made in 2016/17	136	136
Amounts used in 2016/17	(136)	(136)
Balance at 31 March 2017	(883)	(883)

Due to the part-localisation of business rates from 1 April 2013, accounting regulations mean the Council is required to create a provision for backdated appeals that had not been determined at 31 March each year. The provision at the end of 2016/17 has been kept the same as 2015/16 at £882,983 and relates to Boston's estimated share of appeals outstanding at 31 March 2017.

23. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and notes 8 and 9.

24. UNUSABLE RESERVES

	2015/16 £'000	2016/17 £'000
Revaluation Reserve (Note 24.1)	(25,467)	(25,462)
Capital Adjustment Account (Note 24.2)	(14,948)	(14,338)
Deferred Capital Receipts Reserve (Note 24.3)	(11)	(11)
Pensions Reserve (Note 24.4)	30,856	33,018
Collection Fund Adjustment Account (Note 24.5)	532	(58)
Accumulated Absences Account (Note 24.6)	107	130
Available for Sale Assets Reserve (Note 24.7)	-	(43)
Total Unusable Reserves	(8,931)	(6,764)

24.1 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.

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	2015/16 £'000	2016/17 £'000
Balance at 1 April	(14,047)	(25,467)
Upward revaluation of assets	(1,127)	(980)
Reclassified asset valuation adjustments	(10,383)	-
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	89	985
Amounts written off to the Capital Adjustment Account	1	-
Balance at 31 March	(25,467)	(25,462)

24.2 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 enhancement of those assets under statutory provisions. The Account is debited with the cost of the acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Council holds no donated assets. 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.

	2015/16 £'000	2016/17 £'000
Balance at 1 April	(14,780)	(14,948)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
<ul style="list-style-type: none"> • Charges for depreciation and impairment of non-current assets • Revaluation losses on Property, Plant and Equipment • Amortisation of intangible assets • Revenue expenditure funded from capital under statute • Amounts of non-current assets written off on de-recognition, disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement 	848 74 29 1,830 17	1,490 17 39 1,172 5
	(11,982)	(12,225)
Adjusting amounts written out of the Revaluation Reserve	(1)	-
Capital financing applied in the year:		
<ul style="list-style-type: none"> • Use of the Capital Receipts Reserve to finance new capital expenditure • Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing • Statutory provision for the financing of capital investment charged against the General Fund • Capital expenditure charged against the General Fund 	- (1,344) - (1,602)	- (617) - (1,496)
	(2,947)	(2,113)
Movements in the market value and de-recognition of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(19)	-
Balance at 31 March	(14,948)	(14,338)

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24.3 Deferred Capital Receipts Reserve

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

	2015/16 £'000	2016/17 £'000
Balance at 1 April	(11)	(11)
Balance at 31 March	(11)	(11)

24.4 Pension 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.

	2015/16 £'000	2016/17 £'000
Balance at 1 April	36,152	30,856
Actuarial (gains) or losses on pensions assets and liabilities	(6,758)	1,016
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	2,708	2,503
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,246)	(1,357)
Balance at 31 March	30,856	33,018

24.5 Collection Fund Adjustment Account

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

	2015/16 £'000	2016/17 £'000
Balance at 1 April	694	532
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	(162)	(590)
Balance at 31 March	532	(58)

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24.6 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, eg 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.

	2015/16 £000	2016/17 £000
Balance at 1 April	109	107
Settlement or cancellation of accrual made at end of the preceding year	(109)	(107)
Amounts accrued at the end of the current year	107	130
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	(107)	(130)
Balance at 31 March	107	130

24.7 Available for Sale Assets Reserve

The Available for Sale Assets Reserve contains changes in the fair value of available for sale assets (property funds).

	2015/16 £000	2016/17 £000
Balance at 1 April	-	-
Movements in the value of available for sale assets	-	(43)
Balance at 31 March	-	(43)

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NOTES TO THE CASH FLOW STATEMENT

25. CASH FLOW STATEMENT – OPERATING ACTIVITIES

25.1 Adjust Net Surplus or Deficit on the Provision of Services for Non-Cash Movements

	2015/16 £000	2016/17 £000
Depreciation and Amortisation	(877)	(1,529)
Impairments / De-recognitions	(55)	(17)
(Increase) / decrease in short term creditors	(2,099)	24
Increase / (decrease) in short term debtors *	(1,310)	346
Increase / (decrease) in stock / WIP	-	-
Pensions adjustments	(1,462)	(1,146)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(17)	(9)
Other non-cash items charged to the net surplus or deficit on the provision of services	(139)	(610)
	(5,959)	(2,941)

* This includes the adjustment for council tax and business rates major preceptors as shown in note 27.

25.2 Adjust for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities

	2015/16 £000	2016/17 £000
Capital grants received	260	-
Any other items for which the cash effects are investing or financing cash flows	161	600
	421	600

25.3 The Cash Flows for Operating Activities include the following:

	2015/16 £'000	2016/17 £'000
Interest received	(91)	(104)
Interest paid	111	111
	20	7

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26. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2015/16 £'000	2016/17 £'000
Purchase of Property Plant and Equipment, Investment Property and Intangible Assets	1,116	941
Purchase of short term and long term investments	5,750	5,262
Proceeds from the sale of Property Plant and Equipment, Investment Property and Intangible Assets	-	(10)
Proceeds from short term and long term investments	(750)	(3,500)
Capital Grants	(145)	-
Net cash flows from investing activities	5,971	2,693

27. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2015/16 £'000	2016/17 £'000
Other receipts from financing activities	(49)	(85)
Other payments for financing activities	142	20
Amounts relating to major preceptors & NNDR	622	445
Net cash flows from financing activities	715	380

28. TRADING OPERATIONS

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

	2015/16			2016/17		
	Gross Expenditure £'000	Gross Income £'000	Net Deficit / (Surplus) £'000	Gross Expenditure £'000	Gross Income £'000	Net Deficit / (Surplus) £'000
Trading Activity						
Trade Waste	132	(183)	(51)	145	(185)	(40)
Markets	264	(188)	76	287	(172)	115
Total for the year	396	(371)	25	432	(357)	75

29. MEMBERS' ALLOWANCES

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

	2015/16 £'000	2016/17 £'000
Allowances	175	172
Expenses	9	8
Total	184	180

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30. OFFICERS' REMUNERATION

Employee Benefits Accounting Policy

Benefits payable during employment

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

Termination Benefits

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

Senior Officers

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 and in respect of the Council's senior employees is as follows.

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2015/16 Job Title RESTATED	£ Salary (including fees and allowances)	£ Expenses allowance (P11d)	£ Total remuneration excluding pension contributions	£ Employer's Pension contribution	£ Total remuneration, including pension contributions
Chief Executive	89,785	-	89,785	22,541	112,326
Strategic Director (S151)	82,578	-	82,578	19,015	101,593
The Strategic Director (S151) is shared 50% with East Lindsey District Council, however the Officer is employed by Boston Borough Council and so is shown at 100% in this note					
Head of Business Transformation	29,923	-	29,923	6,830	36,753
The post holder works part time, the annualised salary for this post would be £55,358.					
Head of Customer & Democratic Services and Monitoring Officer	72,915	-	72,915	-	72,915
The occupant of this post is not a direct employee of the Council, but is contracted on an interim consultancy basis. In 2015/16 this role was provided under a wider contractual arrangement.					
Head of Environmental Operations	55,358	-	55,358	9,614	64,972
Head of Housing, Health, Property & Communities	55,358	-	55,358	9,424	64,782
Head of Financial Services	81,320	-	81,320	-	81,320
The occupant of this post is not a direct employee of the Council, but is contracted on an interim consultancy basis.					

2016/17 Job Title	£ Salary (including fees and allowances)	£ Expenses allowance (P11d)	£ Total remuneration excluding pension contributions	£ Employer's Pension contribution	£ Total remuneration, including pension contributions
Chief Executive	95,712	-	95,712	16,175	111,887
Strategic Director (S151)	41,580	-	41,580	7,027	48,607
The Strategic Director (S151) is employed 18.5 hrs by Boston Borough Council (and 18.5 hrs by East Lindsey District Council. The total annualised salary would be £83,160)					
Corporate Director	62,979	-	62,979	10,643	73,622
Head of Operations	55,773	-	55,773	9,426	65,199
Head of HR & Transformation	34,381	-	34,381	5,810	40,191
The post holder works part time, the annualised salary for this post would be £55,773.					
Head of Housing & Community Services	56,040	-	56,040	9,472	65,512
Head of Town Centre, Leisure, Events & Culture	40,330	-	40,330	6,816	47,146
The post holder started 11 July 2016, the annualised salary for this post is £56,191					
Head of Financial Services	68,481	-	68,481	11,751	80,232

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Other Officers above £50,000

Detailed below are the numbers of other employees of the Council whose remuneration in 2016/17 fell in each bracket of a scale in multiples of £5,000, starting with £50,000.

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:		
RESTATED	2015/16 Number of Employees	2016/17 Number of Employees
Allowance Band		
£50,000 to £54,999	2	1
£55,000 to £59,999	1	-

Exit Packages and Termination benefits

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 £	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£0 - £20,000	-	-	-	2	-	2	-	17,500
£20,001 - £40,000	-	1	-	-	-	1	-	26,407
Total cost included in bandings							-	43,907
Total cost included in CIES							-	43,907

The total cost of £43,907 in the table above includes £43,907 for exit packages that have been charged to the Council's Comprehensive Income and Expenditure Statement in the current year.

The Council terminated the contract of 1 employee in 2016/17 and the cost of which is included within the table above.

31. EXTERNAL AUDIT COSTS

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

	2015/16 £'000	2016/17 £'000
Fees payable to the appointed auditor with regard to external audit services carried out by the appointed auditor for the year	44	44
Fees payable to the appointed auditor for the certification of grant claims and returns for the year	8	9
Fees payable in respect of other services provided during the year	1	5
Total	53	58

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32. GRANT INCOME

Government Grants and Contributions Accounting Policy

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until the primary 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 acquired using 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 primary conditions have not been satisfied are carried in the Balance Sheet as creditors. When primary 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 (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement (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.

The Council credited the following grants, contributions and donations to the CIES in 2016/17.

	2015/16 £'000	2016/17 £'000
Credited to Taxation and Non Specific Grant Income		
Capital Grants and Contributions	115	-
Formula Grant	1,908	1,430
Non Service Related Government Grants	1,616	1,675
Total	3,639	3,105

The following grants above £100,000 were credited to services:

	2015/16 £'000	2016/17 £'000
Credited to Services		
Housing Benefit Subsidy	20,026	18,710
Benefits Administration Grant	331	271
Flood Grants	1,014	-
Domestic Abuse Bid	301	-
Disabled Facilities Grant	279	280
Health Funding	112	43
PSICA Grant	168	20
Other	388	367
Total	22,619	19,691

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33. RELATED PARTIES

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

Central Government

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 (council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 32 grant income.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2016/17 is shown in Note 29. The relevant disclosures are:

Nine members declared interest in organisations or as being self employed persons who have in 2016/17 transacted with the Council 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

Six officers declared an interest in an organisation or partnership that transacts with the Council, none of which are considered material. Two officers share posts with East Lindsey District Council for which details are disclosed below.

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

The Council's Deputy S151 Officer holds the same appointment at East Lindsey District Council. During 2016/17, the Council received £14,150 (£106,380 including an additional post for 2015/16) from East Lindsey District Council for the sharing of posts. For a short period at the beginning of 2016/17 the Council's Monitoring Officer also held the same appointment at East Lindsey District Council for which the Council received £7,617.

The Council has a Jointly Controlled Operation with South Holland District Council and Lincolnshire County Council, called the Joint Strategic Planning Committee for South East Lincolnshire. They are to produce a Joint Local Development Plan. The cost for each Council during 2016/17 was £183,638 (£178,909 for 2015/16).

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 2016/17 the Council received £193,354 (£182,114 in 2015/16) in respect of this sharing arrangement.

Pension Fund – the Council paid an employer's contribution of £1.357m into Lincolnshire County Council's Superannuation Fund (£1.246m in 2015/16). Under the requirements of IAS19 the actuarial estimate shows a contribution of £1.286m (£1.174m in 2015/16). The fund provides its members with defined benefits related to pay and service. Full disclosure on Retirement Benefits is shown in Note 37.

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Levying Bodies

Internal drainage boards and parish councils levy demands on the Council Tax, and further details are set out in Note 10.

34. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), 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.

	2015/16 £'000	2016/17 £'000
Opening Capital Financing Requirement	(541)	(541)
Capital Investment		
Property, Plant and Equipment	1,116	941
Revenue Expenditure Funded from Capital Under Statute	1,830	1,172
<i>Sources of finance</i>		
Government grants and other contributions	(1,344)	(617)
Sums set aside from revenue:		
Reserves	(1,602)	(1,496)
Closing Capital Financing Requirement	(541)	(541)

35. LEASES

Leases Accounting Policy

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.

In terms of measuring the fair value of a leased asset with the present value of the minimum lease payments, the effective date of the lease would be the rent review date. 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 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).

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The Council as Lessor

Finance Leases

The council has no arrangements of this type.

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 Other Operating 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.

Council as Lessee

Operating Leases

The council has no operating leases for properties.

Council as Lessor

The Council has undertaken a review of its lease arrangements for property and has assessed these as not being finance leases.

The Council leases out property under operating leases all of which are cancellable by either party giving notice of varying lengths under the contract. The Council's investment properties, valued on the balance sheet at 31 March 2017 at £3.3m (£3.4m in 2015/16), have been leased. Details of the income and expenditure relating to leased property can be found at Note 16.

36. IMPAIRMENT LOSSES

During 2016/17 the Council recognised impairment losses of £15,000 on operational property (£74,000 in 2015/16). Impairment losses of £68,000 were recognised on investment properties (£0 in 2015/16).

During 2016/17 the Council recognised no reversals of impairment losses on re-valued assets (£89,000 in 2015/16) in the Other Comprehensive Income and Expenditure section of the Movement In Reserves Statement and taken to the Revaluation Reserve in the year.

37. DEFINED BENEFIT PENSION SCHEMES

Post-Employment Benefits Accounting Policy

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

The Local Government Pension Scheme

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

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- The liabilities of the Lincolnshire County Council pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.9% (based on the indicative rate of return on high quality AA corporate bonds). For comparison, 3.5% was used in 2015/16.
- The assets of the Lincolnshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.

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

- Service cost comprising
 - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the service for which the employees worked.
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
 - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) 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 (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising
 - The return on plan assets – excluding amounts including in net interest on the net defined benefit liability (asset) – 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.

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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 that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension scheme:

- The Local Government Pension Scheme is a defined benefit statutory scheme, administered locally by West Yorkshire Pension Fund – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there is no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.
- The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from 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.

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 assets built up to meet these pension liabilities.

Transactions Relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than the benefits are eventually paid as pensions. However, the charge it is required to make 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:

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	Local Government Pension Scheme	
	£'000	£'000
	2015/16	2016/17
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
• Current Service Cost	1,546	1,410
• Past Service Costs	-	13
• Settlements and Curtailments	-	-
<i>Financing and Investment Income and Expenditure:</i>		
• Net interest expense	1,162	1,080
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	2,708	2,503
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Re-measurement of the net defined benefit liability comprising:		
• Return on plan assets (excluding the amount included in the net interest expense)	829	(8,143)
• Actuarial gains and losses arising on changes in demographic assumptions	-	(1,233)
• Actuarial gains and losses arising on changes in financial assumptions	(6,548)	13,166
• Other Experience	(1,039)	(2,774)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(6,758)	1,016
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(2,708)	(2,503)
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' Contributions payable to the Scheme	1,246	1,357

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	
	£'000	£'000
	2015/16	2016/17
Present value of the defined benefit obligation	70,903	81,628
Fair value of plan assets	(40,047)	(48,610)
Net Liability arising from defined benefit obligation	30,856	33,018

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

	Local Government Pension Scheme	
	£'000	£'000
	2015/16	2016/17
Opening fair value of scheme assets	40,596	40,047
Interest income	1,283	1,384
Remeasurement gain / (loss):		
• The return on plan assets, excluding the amount included in the net interest expense	(829)	8,143
Contributions from employer	1,246	1,357
Contributions from employees into the scheme	325	348
Benefits paid	(2,574)	(2,669)
Other	-	-
Closing fair value of scheme assets	40,047	48,610

Reconciliation of Present Value of the Scheme Liabilities

	Local Government Pension Scheme	
	£'000	£'000
	2015/16	2016/17
Opening balance at 1 April	76,748	70,903
Current Service Cost	1,546	1,410
Interest Cost	2,445	2,464
Contributions by Scheme Participants	325	348
Remeasurement gains / losses:		
• Actuarial gains / losses arising from changes in demographic assumptions	-	(1,233)
• Actuarial gains / losses arising from changes in financial assumptions	(6,548)	13,166
• Other Experience	(1,039)	(2,774)
Past Service Costs	-	13
Losses / (gains) on curtailment	-	-
Benefits paid	(2,574)	(2,669)
Closing balance at 31 March	70,903	81,628

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Local Government Pension Scheme assets comprised:

	Fair value of scheme assets	
	£'000 2015/16	£'000 2016/17
Cash and cash equivalents	432.4	344.1
Equity Securities:		
• Consumer	8,296.6	5,465.0
• Manufacturing	889.3	714.4
• Energy and utilities	2,169.8	1,260.3
• Financial institutions	4,320.2	3,357.2
• Information technology	1,485.4	1,871.3
• Other	4,443.2	3,990.6
Sub-total equity	21,604.5	16,658.8
Debt Securities:		
• Corporate	3,905.8	4,518.3
• Government	828.4	1,569.4
• Other	560.2	-
Sub-total bonds	5,294.4	6,087.7
Real Estate:		
• UK Property	4,261.7	4,423.1
• Overseas Property	434.7	148.0
Sub-total Real Estate	4,696.4	4,571.1
Private equity	1,463.1	1,122.5
Investment Funds and Unit Trusts:		
• Equities	2,259.5	13,355.1
• Infrastructure	-	730.7
• Other	4,296.7	5,740.0
Sub-total Investment Funds and Unit Trusts	6,556.2	19,825.8
Total assets	40,047.0	48,610.0

All scheme assets have quoted prices in active markets.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years that is dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2016. The significant assumptions used by the actuary are:

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	Local Government Pension Scheme	
	2015/16	2016/17
Mortality assumptions:		
<i>Longevity at 65 for current pensioners (years):</i>		
Men	22.20	22.10
Women	24.40	24.40
<i>Longevity at 65 for future pensioners (years):</i>		
Men	24.50	24.10
Women	26.80	26.60
Rate of inflation	3.20%	3.70%
Rate of increase in salaries	3.70%	2.80%
Rate of increase in pensions	2.20%	2.40%
Rate for discounting scheme liabilities	3.50%	2.50%
Take-up of option to convert annual pension into retirement sum	63.00%	75.00%

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.

Change in assumptions at 31 March 2017	Approximate % increase to Employer Liability	Approximate monetary amount £'000
0.5% decrease in Real Discount Rate	9	7,334
0.5% increase in the Salary Increase Rate	1	947
0.5% increase in the Pension Increase Rate	8	6,285

Impact on the Authority's Cash Flows

The contributions paid by the Council are set by the Fund Actuary at each triennial actuarial valuation, the most recent being 31 March 2016. The employer's contribution rate, over the period to 31 March 2017, has been stabilised. The stabilisation is for employer contribution rates to increase at 1% p.a. from the 2015/16 level.

Under the Public Pensions Services Act 2013, the Local Government Pension Scheme may not provide benefits in relation to service after 31 March 2015 and therefore the scheme will be required to take account of these national changes in the future. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The authority anticipates paying £1.323m in contributions to the scheme in 2017/18.

The 2016/17 weighted average duration of the defined benefit obligation for scheme members is 16.6 years (17.2 years in 2015/16).

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38. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent Liabilities Accounting Policy

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.

No contingent liabilities were identified at 31 March 2017.

Contingent Assets Accounting policy

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.

No contingent assets were identified at 31 March 2017.

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THE COLLECTION FUND

Collection Fund Accounting Policy

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.

Billing authorities have to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and non domestic rates. The Council acts as an agent, collecting and distributing council tax and business rates income on behalf of itself and the major Precepting authorities and central government.

From 1 April 2009 for both billing and Precepting authorities, the council tax income included in their Comprehensive Income and Expenditure Statement shall be the accrued income for the year. Any difference between the income included in the Comprehensive Income and Expenditure Statement and their demand or precept is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. As the collection of council tax is an agency agreement there is a debtor/creditor position between the billing Council and the major preceptors. As billing Council, this Council's Cash Flow Statement includes in 'revenue activities' only its own share of the council tax collected.

From 1 April 2013 for billing and Precepting authorities and central government, the business rates (National Non Domestic Rates) income included in their Comprehensive Income and Expenditure Statement shall be the accrued income for the year. Any difference between the income included in the Comprehensive Income and Expenditure Statement and their estimate of share of income is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. As the collection of NNDR is an agency agreement there is a debtor / creditor position between the billing Council and the major preceptor and central government. As billing Council, this Council's Cash Flow Statement includes in 'revenue activities' only its own share of the council tax collected.

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	BUSINESS RATES		COUNCIL TAX		TOTAL	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
	£'000	£'000	£'000	£'000	£'000	£'000
INCOME						
Council Tax Receivable	-	-	(27,178)	(28,727)	(27,178)	(28,727)
Business Rates Receivable	(18,863)	(20,801)	-	-	(18,863)	(20,801)
Transitional Protection Payments receivable	175	123	-	-	175	123
Other items	-	-	-	-	-	-
	(18,688)	(20,678)	(27,178)	(28,727)	(45,866)	(49,405)
EXPENDITURE						
Apportionment of Previous Year Surplus / (Deficit)						
Boston Borough Council	(497)	(589)	22	48	(475)	(541)
Lincolnshire County Council	(124)	(147)	129	276	5	129
Lincolnshire Police and Crime Commissioner	-	-	23	50	23	50
Central Government	(622)	(735)	-	-	(622)	(735)
	(1,243)	(1,471)	174	374	(1,069)	(1,097)
Precepts, Demands and Shares						
Boston Borough Council	7,584	8,004	3,326	3,570	10,910	11,574
Lincolnshire County Council	1,896	2,001	19,300	20,282	21,196	22,283
Lincolnshire Police and Crime Commissioner	-	-	3,513	3,621	3,513	3,621
Central Government	9,480	10,005	-	-	9,480	10,005
	18,960	20,010	26,139	27,473	45,099	47,483
Charges to Collection Fund						
Less write offs of uncollectable amounts	360	270	494	373	854	643
Less Increase / (Decrease) in Bad Debt Provision	112	267	377	419	489	686
Less Increase / (Decrease) in Provision for Appeals	-	-	-	-	-	-
Less Cost of Collection	88	91	-	-	88	91
Other items	108	145	-	-	108	145
	668	773	871	792	1,539	1,565
(Surplus) / Deficit arising during the year	(303)	(1,366)	6	(88)	(297)	(1,454)
(Surplus) / Deficit brought forward 1 April	2,044	1,741	(441)	(435)	1,603	1,306
(Surplus) / Deficit carried forward 31 March	1,741	375	(435)	(523)	1,306	(148)

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NOTES TO THE COLLECTION FUND

1. GENERAL

As the Council Tax billing authority, the Council has a statutory requirement, under section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992), to establish and maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax, and business rates. This statement shows the transactions of the billing authority and illustrates the way in which these have been distributed to preceptors and the General Fund.

2. COUNCIL TAX INCOME

The income from Council Tax figures represents the net amount from taxpayers in 2016/17 after allowing for entitlement to benefits and relief.

All domestic properties are banded according to their value at 1 April 1993, and a tax level is set to meet the demands from Lincolnshire County Council, Lincolnshire Police and Crime Commissioner, Boston Borough Council and Parish Councils.

The tax is set by dividing these demands by the appropriate Council Tax base, which is the number of chargeable dwellings in each valuation band (adjusted for estimated changes and discounts), expressed as an equivalent number of Band D dwellings.

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

BAND	CHARGEABLE DWELLINGS	FACTOR	BAND D EQUIVALENTS
A (Disabled Relief)		5/9	8.4
A (Disabled Relief)	14,177	6/9	6,603.3
B	5,809	7/9	3,822.9
C	5,879	8/9	4,548.5
D	1,991	9/9	1,843.9
E	794	11/9	907.6
F	208	13/9	286.8
G	80	15/9	118.7
H	12	18/9	8.5
TOTAL			18,148.6
Less provision for bad and doubtful debts (1.0%)			181.5
Tax base for tax setting			17,967.1

The basic level of Council Tax for the year, per band D property, excluding any parish precept, was £1,503.68. To calculate the charge payable for a specific property, the appropriate parish Band D charge should be added to the basic level, and then multiplied by the relevant factor for the band assigned to the property.

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

NNDR is organised on a national basis. The Government specifies an amount to be levied each year, 49.7p for 2016/17 (2015/16 – 49.3p) with a small business rate multiplier of 48.4p (48.0p in 2015/16), and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

Income from NNDR, after relief and provisions, was £20.5m (2015/16 - £18.7m). The total rateable value for the Council's area at 31 March 2017 was £50.143m (2015/16 - £49.422m).

Due to the part-localisation of business rates from 1 April 2013, accounting regulations mean the Council is required to create a provision for backdated appeals that were not determined at 31 March each year. The provision created in 2015/16 is detailed in the following table:

	2015/16 £'000	2016/17 £'000
Balance at 1 April	2,208	2,208
Amount charged to provision	-	(136)
Increase in provision required	-	136
Balance at 31 March	2,208	2,208
Boston Borough Council's share	883	883

In 2016/17 (as in 2015/16) the Council entered into a Pooling arrangement for business rates with Lincolnshire County Council and some Lincolnshire Districts.

4. PRECEPTS AND DEMANDS

The following amounts were paid out of the fund in the year. This includes all precepts made upon the Council plus any distribution of previous years' estimated collection fund surplus.

2015/16	Precept £	Previous Year's Surplus £	NNDR 1 Share £	Previous Year's Deficit £	Total £
Lincolnshire County Council	19,299,738	128,939	1,895,968	(124,352)	21,200,293
Lincolnshire Police and Crime Commissioner	3,512,533	23,455	-	-	3,535,988
Central Government	-	-	9,479,838	(621,758)	8,858,080
Boston Borough Council	3,326,460	21,670	7,583,870	(497,406)	10,434,594
TOTAL	26,138,731	174,064	18,959,676	(1,243,516)	44,028,955

2016/17	Precept £	Previous Year's Surplus £	NNDR 1 Share £	Previous Year's Deficit £	Total £
Lincolnshire County Council	20,281,813	275,715	2,001,100	(147,156)	22,411,472
Lincolnshire Police and Crime Commissioner	3,620,552	50,180	-	-	3,670,732
Central Government	-	-	10,005,499	(735,778)	9,269,721
Boston Borough Council	3,569,885	47,521	8,004,400	(588,622)	11,033,184
TOTAL	27,472,250	373,416	20,010,999	(1,471,556)	46,385,109

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An analysis of the balance on the fund at the end of 2016/17, which will be shared amongst the Precepting bodies in 2017/18, is as follows (surplus)/deficit:

Precepting Body	Council Tax £		NDR £	
	2015/16	2016/17	2015/16	2016/17
Lincolnshire County Council	(321,178)	(380,550)	174,117	37,476
Lincolnshire Police and Crime Commissioner	(57,334)	(66,798)	-	-
Central Government	-	-	870,583	187,381
Boston Borough Council	(56,532)	(75,878)	696,467	149,905
	(435,044)	(523,226)	1,741,167	374,762

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Technical Appendix – Accounting policies without accompanying notes

General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

Revenue Recognition

Revenue is defined as the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in the Council's net worth. It is measured at the fair value of the amount receivable (except for Financial Assets). Non-contractual, non-exchange transactions such as council tax and business rates are measured at the full amount receivable.

Sale of Goods – revenue is recognised when all of the following conditions have been met:

- The Council has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Council retains neither continuing managerial involvement or effective control over the goods sold.
- The amount of revenue can be reliably measured.
- It is probable that economic benefits or service potential will flow to the Council
- The costs incurred or to be incurred in respect of the transaction can be reliably measured.

Rendering of Services – revenue is measured on the basis of percentage completion of the service at the reporting date and when the following conditions have been met:

- The amount of revenue can be reliably measured.
- It is probable that economic benefits or service potential will flow to the Council.
- The costs incurred or to be incurred in respect of the transaction can be reliably measured.
- The stage of completion of the transaction can be reliably measured.

Interest – is calculated using the effective interest method and recognised when:

- The amount of revenue can be reliably measured.
- It is probable that economic benefits or service potential will flow to the Council.

Where an amount is received that does not meet the recognition criteria above, it is treated as a creditor.

Where an amount has not yet been received, but the revenue meets the recognition criteria above, it is treated as a debtor in the balance sheet.

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Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probably that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- 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.

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.

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 fixed 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.

Interests in Companies and Other Entities

If the Council has interests in companies or other entities that have the nature of subsidiaries, associates or joint ventures Group Accounts are required to be prepared unless their interest is considered not material.

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Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the first in first out (FIFO) costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

Overheads and Support Services

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

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.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore 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(s) in the Comprehensive Income and Expenditure Statement. The Council depreciates intangible assets currently over a maximum of five years.

An asset is tested for impairment whenever there is an indication that this is appropriate – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted 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.

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, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the 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.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but 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.

Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

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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.

ACCRUALS

The concept that income and expenditure are recognised as they are earned or incurred, not as cash is received or paid.

ACCUMULATED ABSENCES

This refers to the entitlement to accumulated absences, in relation to employees, that are carried forward and can be used in future periods if the current period's entitlement is not used in full.

ACTUARIAL GAINS AND LOSSES

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.

ACCOUNTING POLICIES

The principles, bases, conventions, rules and practices applied by the Council that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- Recognising;
- Selecting measurement bases for; and
- Presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques. Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented.

ACTUARY

An expert on pension scheme assets and liabilities.

AMORTISATION

A tax deduction for the gradual consumption of the value of an asset, especially an intangible asset

AVAILABLE FOR SALE ASSETS

An asset that is immediately available to sell in its current state in an active market rather than being held to maturity.

BAD DEBTS

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

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BALANCES

The revenue reserves of the Council made up of the accumulated surplus of income over expenditure. They consist of either the general fund balance, an unallocated sum to cover unexpected events, or earmarked reserves that have been set aside to support particular initiatives.

BUDGET

The Council's plans set out in financial terms. Both revenue and capital budgets are prepared, and are used to control and monitor expenditure and performance.

BILLING AUTHORITY

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

BTAC

Boston Town Area Committee.

CAPITAL CHARGE

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL RECEIPTS

Proceeds arising from the sale of fixed assets, such as land and buildings (with a value of at least £10,000)

CARRYING VALUE

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

CASH EQUIVALENTS

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

CHANGE IN ACCOUNTING ESTIMATE

An adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors.

CLASS OF FIXED ASSETS

The classes of fixed assets required to be included in the accounting statements are:

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- Property, Plant and Equipment
- Other land and buildings
- Vehicles, plant, furniture and equipment
- Community assets
- Surplus assets not held for sale
- Assets Under Construction
- Investment Property
- Intangible Assets

Further analysis of any of these items will be given if it is necessary to ensure fair presentation.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

The leading professional accountancy body for the public sector. They set and monitor professional standards and provide education and training in accountancy and financial management.

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN THE UNITED KINGDOM

Sets out the proper accounting principles and practices required for the statement 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.

COLLATERAL

Something pledged as security for repayment of a loan, to be forfeited in the event of a default.

COLLECTION FUND

This is a fund managed by the billing authority (Borough Council) to receive Business Rates income and Council Tax income. It is also used to make payments to the national business rates pool and to pay a share of council tax collected to the County Council, Police Authority, District Council and Parish Councils.

COMMUNITY ASSETS

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

CONSISTENCY

The principle that the accounting treatment of like items within an accounting period, and from one period to the next, is the same.

CONTINGENT ASSET

A possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council.

CONTINGENT LIABILITY

A condition, that exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

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CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

COUNCIL TAX

This is a banded property tax set by local authorities in order to meet their budget requirements. There are eight bands (Band A–H), set by the Valuation Office Agency according to the value of the property. The amount each household pays depends on the value of the property.

CREDIT DEFAULT SWAP

A swap contract in which the buyer of the Credit Default Swap makes a series of payments to the seller and, in exchange, receives a payoff.

CREDITORS

Amounts owed by the Council for work done, goods received or services rendered before the end of the accounting period but for which payment was not made by the end of the financial year.

CURRENT ASSET

An asset which satisfies any of the following criteria:

- (a) it is expected to be realised in, or is intended for sale or consumption in, the Council's normal operating cycle;
- (b) it is held primarily for the purpose of being traded;
- (c) it is expected to be realised within twelve months after the balance sheet date; or
- (d) it is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

CURRENT SERVICE COSTS (PENSIONS)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

DEBTORS

These are amounts due to the Council but unpaid at the balance sheet date.

DEPRECIATION

The measure of the cost or revalued amount of the benefits of the fixed asset that has been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, passing of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

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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.

EMOLUMENTS

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

EMPLOYEE BENEFITS

Employee benefits are all forms of consideration given by an entity in exchange for services rendered by employees, which are disclosed in accordance with International Accounting Standard 19 (IAS 19).

ESTIMATION TECHNIQUES

The methods adopted by the Council to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

- Methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible fixed asset consumed in a period;
- Different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the balance sheet date (adjusting events after the balance sheet date); and
- those that are indicative of conditions that arose after the balance sheet date (non-adjusting events after the balance sheet date).

EXPECTED RATE OF RETURN ON PENSION ASSETS

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

FAIR VALUE

The fair value of an asset is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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FINANCIAL INSTRUMENT

Any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

FIXED ASSETS

Tangible and intangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

GENERAL FUND

This account shows the expenditure and income relating to all the services provided by the Council and how the net cost of these services has been financed by local taxpayers and through government grants.

GOVERNMENT GRANTS

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to the Council in return for past or future compliance with certain conditions relating to the activities of the Council.

HERITAGE ASSETS

Assets such as art works, library collections, monuments and historic buildings and other treasures which are irreplaceable and are held in perpetuity because of their unique historical, cultural or environmental attributes.

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.

INTERNATIONAL ACCOUNTING STANDARD 19 (IAS 19)

The Accounting Standard applicable for Retirement Benefits in Financial Statements of Employers, includes adjustments for pensions.

IMPAIRMENT

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

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.

INDIRECT METHOD OF REPORTING CASH FLOWS FROM OPERATING ACTIVITIES

Under this method, surplus or deficit is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

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INTANGIBLE ASSETS

Assets that do not have physical substance but are identifiable and controlled by the Council, such as IT software.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

These are accounting standards as approved and published by the Accounting Standards Board, which pronounce the method of accounting treatment to be applied to specific areas.

INVENTORIES

These relate to revenue items purchased in one year but only part used in that year, the balance is carried forward on the Balance Sheet, examples are cleaning materials, fuel, resale items.

INVESTMENTS

Cash deposits with approved institutions.

INVESTMENT PROPERTIES

Interest in land and/or buildings:

- In respect of which construction work and development have been completed; and
- Which is held for its investment potential, any rental income being negotiated at arm's length.

LEASE

An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. The two types of leases are as follows:

Finance lease - A lease which transfers substantially all the risks and rewards of ownership of an asset (even though title to the asset may not be transferred).

Operating lease - Leases under which the ownership of the asset remains with the lessor and consequently are outside the Government's system of capital controls.

LIABILITY

A liability arises when the Council owes money to others and it must be included the financial statements. There are two types of liability:

- A current liability is a sum of money that will or might be payable during the next accounting period e.g. creditors or bank overdraft.
- A long term liability is a sum of money that will not become payable until some point after the next accounting period or is paid off over a number of accounting periods.

MATERIALITY

In using its professional judgement the Council has considered the size and nature of individual transactions or set of transactions. An item is considered to be material where its omission or misstatement would reasonably change the substance of the information presented in the accounts.

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MINIMUM REVENUE PROVISION (MRP)

The minimum amount of the Council's outstanding debt which must be repaid, in accordance with statute, by the revenue accounts in any year.

MINIMUM LEASE PAYMENTS

The payments over the lease term that the lessee is or can be required to make, excluding contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor, together with:

- (a) for a lessee, any amounts guaranteed by the lessee or by a party related to the lessee; or
- (b) for a lessor, any residual value guaranteed to the lessor by:
 - (i) the lessee;
 - (ii) a party related to the lessee; or
 - (iii) a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee.

However, if the lessee has an option to purchase the asset at a price that is expected to be sufficiently lower than fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised, the minimum lease payments comprise the minimum payments payable over the lease term to the expected date of exercise of this purchase option and the payment required to exercise it.

NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less any cumulative amounts provided for depreciation, in accordance with the relevant accounting policy.

NET CURRENT REPLACEMENT COST

The cost of replacing or recreating the particular asset in its existing condition and its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

NET REALISABLE VALUE

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

NATIONAL NON DOMESTIC RATES (NNDR) – BUSINESS RATES

This is a national scheme for collecting contributions from businesses towards the cost of local government services, based on a flat rate in the pound set by Government.

NON DISTRIBUTED COSTS

These are overheads for which no user benefits and are therefore not allocated to services.

PAST SERVICE COST

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvements to, retirement benefits.

POST BALANCE SHEET EVENTS

These are events, both favourable and unfavourable, which occur between the balance sheet date and the date on which

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the Statement of Accounts is signed by the responsible officer.

PRECEPTS

Amounts the Council is required to raise from Council Tax on behalf of other authorities, and itself.

PROVISION

An amount set aside for a liability that is likely will be incurred but the exact amount and the date on which it will arise are uncertain.

PRUDENCE

The concept that revenue is not anticipated, but is recognised only when realised in the form either of cash or of other assets for which the ultimate cash realisation can be assessed with reasonable certainty.

RELATED PARTIES

A related party is a person or entity that is related to the Council as the reporting body.
A person or a close member of that person's family is related to a reporting entity if that person:

- Has control or joint control over the reporting entity;
- Has significant influence over the reporting entity; or
- Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

The main related parties for councils are Central Government, elected members, officers and levying bodies.

Other related parties may include:

- any subsidiary and associated companies; and
- the pension fund (where the Council is an administering Council).

The following are deemed not to be related parties:

providers of finance in the course of their business in that regard;

- Trade unions;
- Public utilities; and
- Departments and agencies of a government that does not control jointly control or significantly influence the reporting entity.

RESERVE

An amount set aside in a financial year for a specific purpose, to be used to meet expenditure in future years.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Formerly known as Deferred Charges, this is expenditure that may properly be deferred, but which does not result in, or remain matched with, assets controlled by the Council, e.g. Renovation Grants.

SEGMENT

Distinguishable service of the Council that is engaged in providing a service or a group services.

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TOTAL COST

The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. This includes an appropriate share of all support services and overheads, which need to be apportioned.

USEFUL LIFE

The period over which the Council will derive benefits from the use of an asset.