

BOSTON BOROUGH COUNCIL

FINANCIAL REPORT 2015/16

Audited version

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

Boston Borough Council

Financial Report 2015/16

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Narrative Report

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

1. The Statement of Accounts

The Accounts have been produced in accordance with *The Code of Practice on Local Authority Accounting* ('the Code') developed by the Chartered Institute of Public Finance and Accountancy (CIPFA). Applying the 2015/16 Code has resulted in a limited number of changes from last year.

The Accounts give a true and fair view of Boston's financial position for the financial year 2015/16 and the balances as at 31 March 2016. The Council's approved accounting policies have been applied with regard to the Accounts, and in producing them we keep proper and up to date accounting records and take all reasonable steps to prevent and detect fraud and any other irregularities.

The Strategic Director - Resources is the statutory officer responsible for the proper administration of the Council's financial affairs (sometimes referred to in the Statement as the Chief Financial Officer). He is required by law to confirm that the Council's system of internal control can be relied upon to produce an accurate Statement of Accounts. His statement of assurance for 2015/16 (known as *The Statement of Responsibilities*) appears on page 2.

2. Financial Summary

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

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

The accounting statements provide the formal presentational analysis of how the Council has used the resources available to it in the year, and the balances held at the beginning and end of the year. The following paragraphs provide further details and clarity on the:

- amount of revenue expenditure, and how it was paid for;
- amount of capital expenditure, and how it was paid for;
- major service developments and financial overview for 2015/16, including commentary on the Balance Sheet;
- the impact of significant changes to the Code; and
- future financial challenges.

Revenue Expenditure

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 our local priorities in mind, as well as some services that we have 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:

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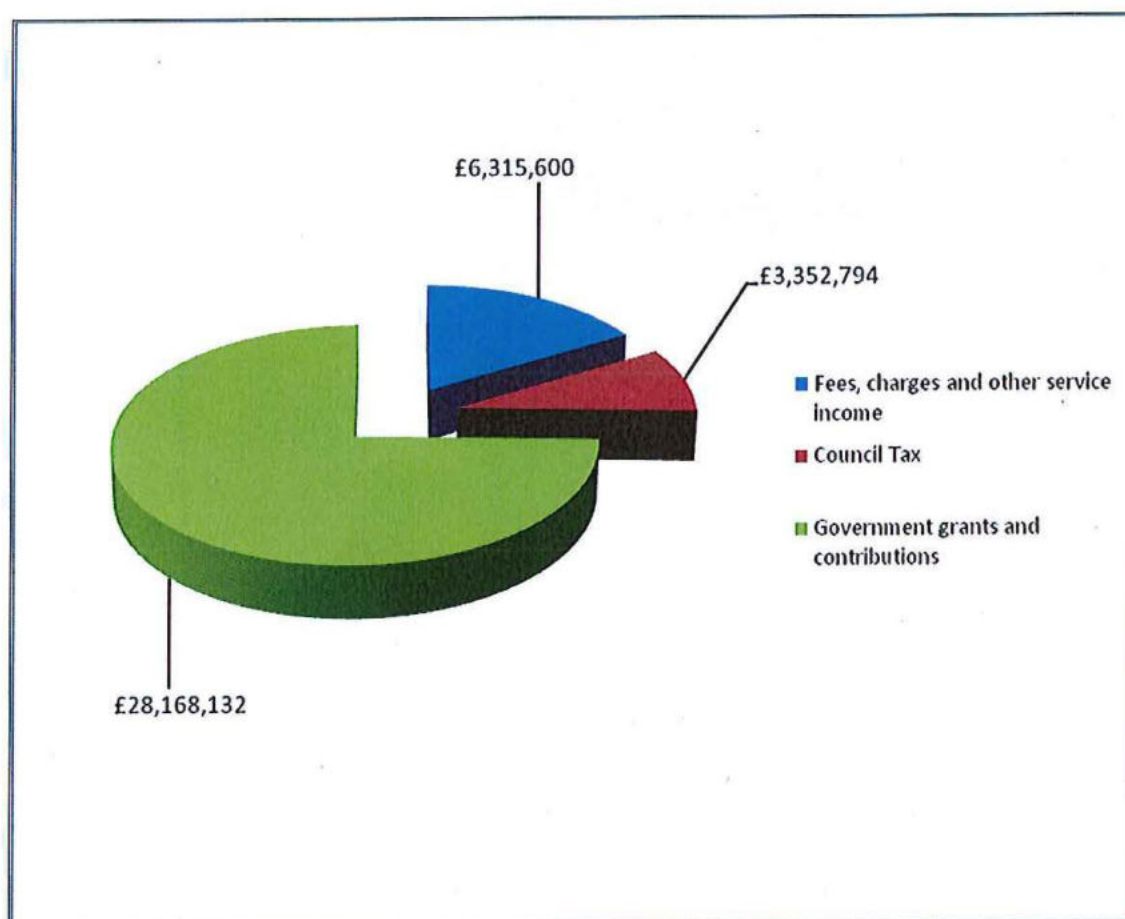
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- The delivery of the Transformation Programme, the primary mechanism by which the Council will balance future budgets and continue to provide good quality, value for money services;
- The requirement to be able to fund future capital asset replacement;
- 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 £0.857m, from £7.760m to £6.903m (see Note 7, page 14). There has been a slight decrease in most reserves, notably Transformation and Housing, as funds were spent supporting service changes 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.

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.

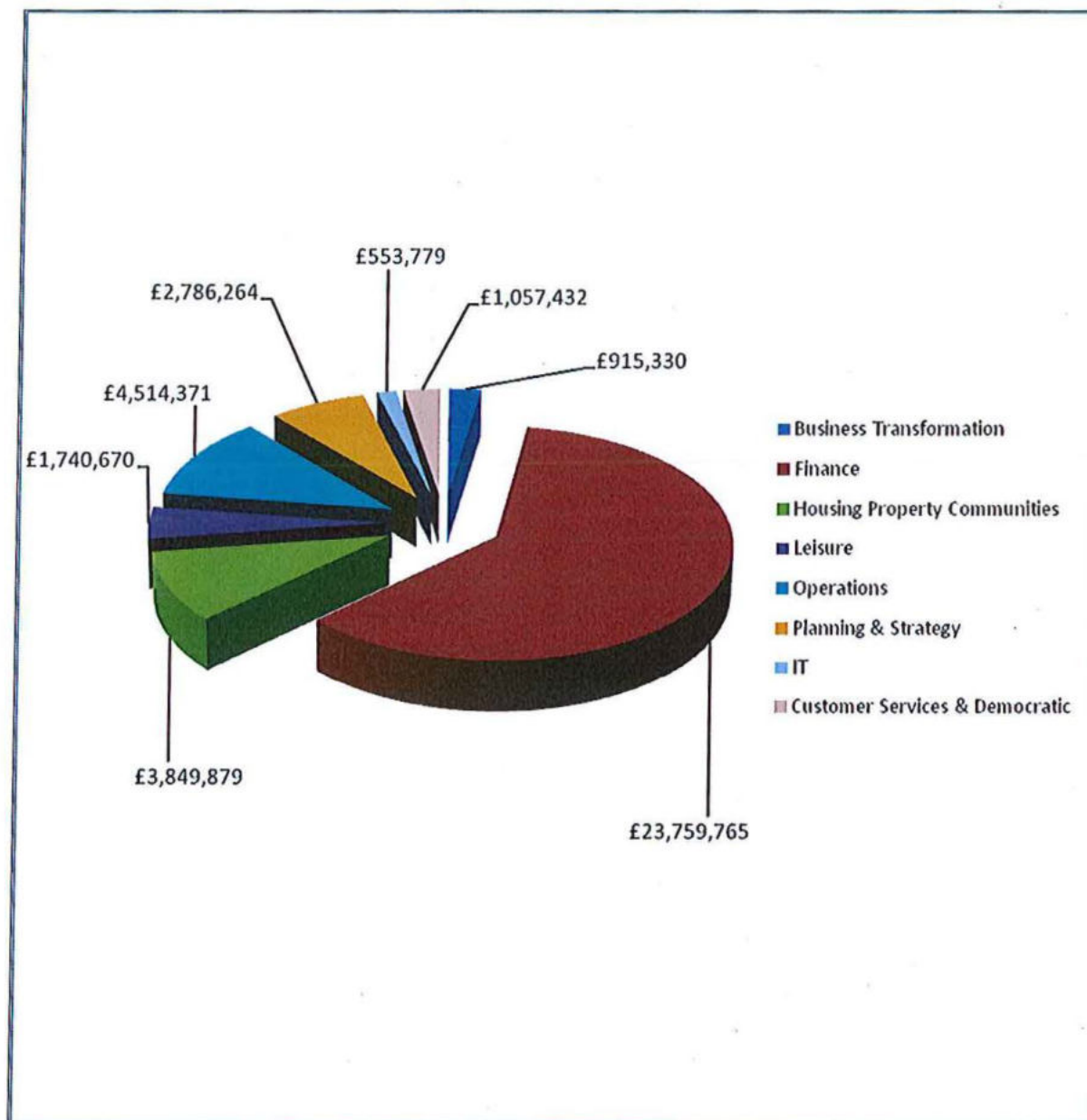
Where the money comes from (source: Note 26 table 5 page 44) –



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What the money was spent on (Note 26 table 2 page 41) –



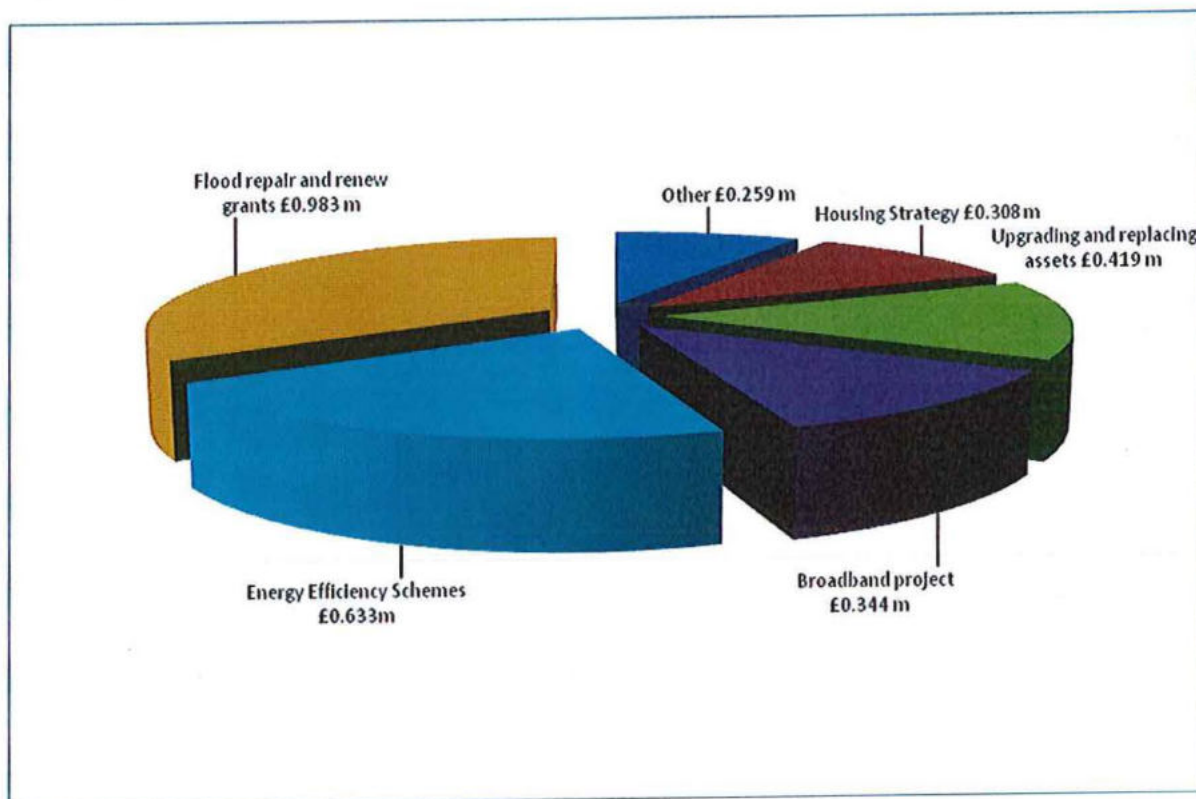
Capital Expenditure

As well as delivering day to day services, the Council also spends money on capital items, which generally become assets which are then mainly classified as property, plant and equipment on the Balance Sheet. The Council has to ensure its capital programme is prudent, affordable and sustainable. The main areas of spend, and how they were funded, are set out in the graphs below.

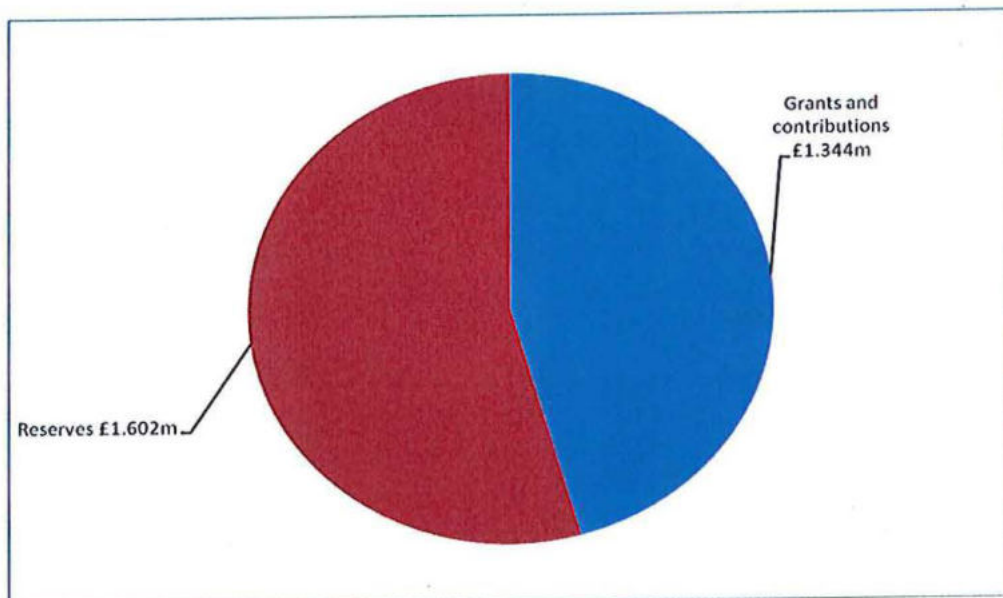
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Capital Expenditure was as follows:



Capital funding was as follows:

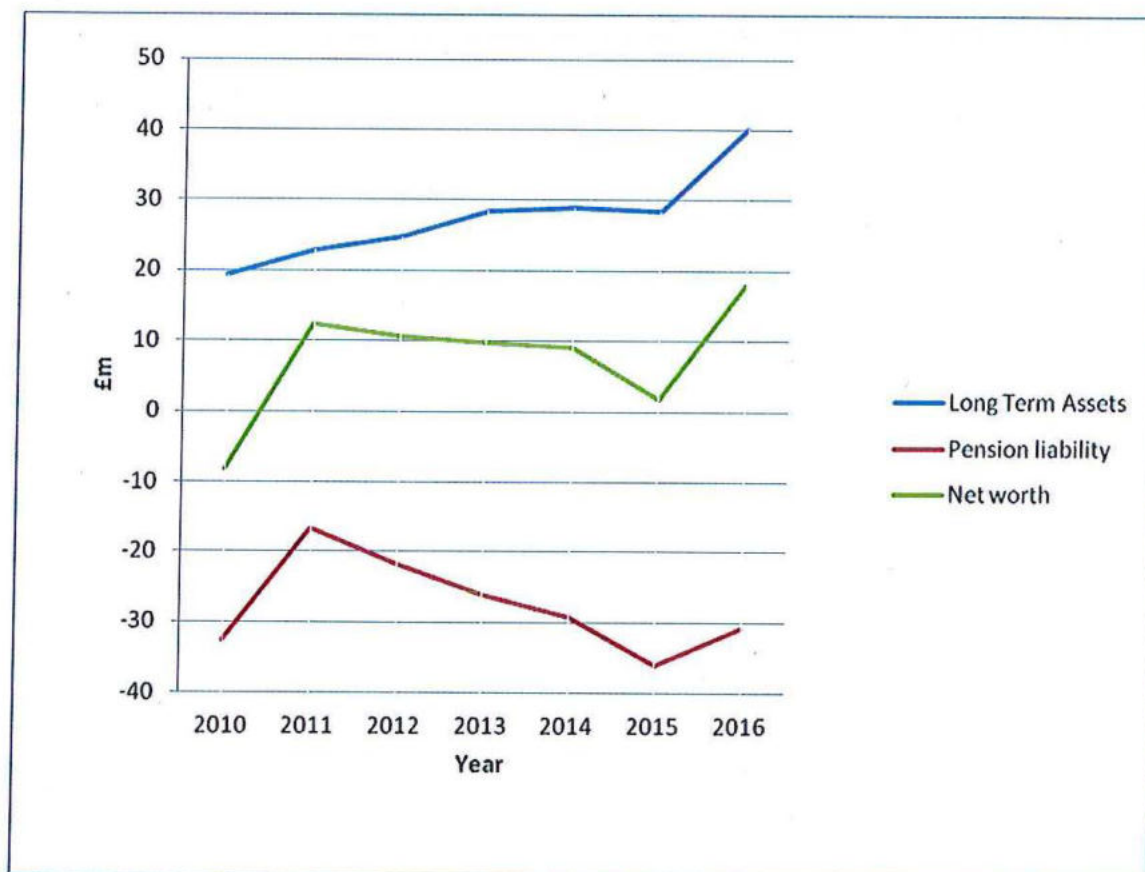


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Balance Sheet – the Council's net worth

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.



Major Service Developments and Financial Overview

The past twelve months have continued to be extremely challenging, from both financial and service delivery perspectives. Given the backdrop of the wider economic situation, further severe reductions in grant support from central government, the impacts of major changes in government funding for councils, Welfare Reform and Localism Act changes, along with increasing demands for its services, the Council has once more risen to the challenge.

The appointed auditor's Annual Governance Report for 2015 was positive, with unqualified opinions being issued on both the Accounts and Value for Money (VfM) conclusion.

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Key areas that the Council improved during 2015/16 include:

- Significant improvement in sickness absence rates
- New energy efficiency measures, with solar installations at the Boston Enterprise Centre and the Princess Royal Sports Arena
- The number of swims and healthy walk sessions were above the target levels
- The in-year collection rate for both Council Tax and Business Rates

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 2015/16 budget, and can be viewed at the Council's website.

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. Measures of the successful achievement of these objectives include the actual spending position for the year compared to the budget, service improvements in processing housing benefit claims, the number of food inspections undertaken, supporting the level of earmarked reserves, and maintaining the General Fund balance to help facilitate transformation opportunities and provide mitigation against future financial risks.

The net expenditure relating to provision of the Council's services (see page 5, the Comprehensive Income and Expenditure Statement - CIES) has decreased slightly this year, from £8.3m in 2014/15 to £7.7m in 2015/16. This reduces to a £1.8m (£2.2m in 2014/15) deficit on provision of services.

Further details on the outturn position are included in the Quarter 4 Governance and Performance report presented to Cabinet on 29 June 2016.

To help readers link the formal presentational requirements to the format reported during the year, note 26 in this Statement (pages 39 to 44) reconciles the figures in the CIES to those in the management accounts reported to Cabinet.

The Council's net asset position (or net worth) has increased from £1.721m to £7.657m (see the Balance Sheet at page 6). The main reason for this is a reduction of £5.296m in the pensions liability, predominantly arising as a result of changes in future assumptions used by the Actuary.

The value of property, plant and equipment (PPE) and heritage assets (those held and maintained principally for their contribution to knowledge and culture) increased this year, with the main change due to the facility at PRSA moved to operational properties at a value of £10m following the signing of new lease arrangements.

4. 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.

In addition, the Council is working with the other councils in the Greater Lincolnshire area on the Government's devolution programme, with the intention of creating a Combined Authority. A copy of the agreement can be found at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/508174/160315_Greater_Lincolnshire_Devolution_Agreement_-_FINAL.pdf. The aim is to transfer some resources and powers from central government, and is subject to parliamentary approval. At this stage the impacts upon this Council are considered to be limited, but do create uncertainty around future funding and service provision.

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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.

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.

5. Summary

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 2016 the Council held £6.903m 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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The Council will need to refresh its Transformation Programme to help deliver better services for the people of Boston with less resources, and to develop capital investment and improve the quality of its asset base. There are significant challenges facing the Council, and both members and officers are determined to meet them.

6. Financial Statements

The Council's Accounts are set out on pages 1 to 67 and consist of the:

- **Movement in Reserves Statement** – this shows the movement in the year of the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and 'unusable reserves';
- **Comprehensive Income and Expenditure Statement** – this shows the cost in the year of providing services in accordance with generally accepted accounting practice, rather than the amount to be funded from taxation;
- **Balance Sheet** – this explains the Council's financial position at the year-end. It provides detail of the balances and reserves at the Council's disposal, its long term indebtedness, and the value of assets and liabilities at the Balance Sheet date;
- **Cash Flow Statement** – this shows the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes;
- **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.

7. 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 2015/16

Section 6 of the Accounts and Audit Regulations 2015 includes the requirement for an annual review of the effectiveness of its system of internal control to be prepared by local government bodies.

Following the review, the body must prepare an Annual Governance Statement (AGS) in accordance with proper practices in relation to internal control.

Boston Borough Council's (the Council's) Audit & Governance Committee (AGC) reviewed the draft AGS for 2015/16 at its meeting on 31 May 2016, with the final document being approved, following audit, in September 2016 alongside the Council's Statement of Accounts.

The AGS has 5 sections:

1. Scope of responsibility
2. The purpose of the governance framework
3. The governance framework
4. Review of effectiveness
5. Significant governance issues

1. Scope of Responsibility

- 1.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 1.3 The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Council's code is on our website at www.boston.gov.uk/governance or can be obtained from the Council offices. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (England) Regulations 2015, regulation 6(1)(b), which requires all relevant bodies to prepare an annual governance statement.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the Council for the year ended 31 March 2016 and up to the date of approval of the annual Accounts.

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3. The Governance Framework

3.1 The Council's review of the effectiveness of its governance arrangements is set out below against the key elements identified in *Delivering Good Governance in Local Government: Framework*.

Key elements	Arrangements in 2015/16
<p>3.1.1 Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users</p> <p>3.1.2 Reviewing the authority's vision and its implications for the authority's governance arrangements</p>	<ul style="list-style-type: none"> Corporate Plan – 'Planning for the Future' April 2012 to March 2015¹ approved in March 2012; reviewed in March 2014; currently being updated for 2016/17 Priority workshops held with elected Members Communication is via the Boston Bulletin daily and regular press releases on outcomes Quarterly reporting of progress against key projects and measures End of year reporting summarised in the bulletin instead of a formal annual report to improve accessibility <p>Plans for 2016/17:</p> <ul style="list-style-type: none"> Publication of summary end of year report in bulletin in June 2016 – ensure that this is easy to read and understand New Corporate Plan from 2016/17
3.1.3 Translating the vision into objectives for the authority and its partnerships	<ul style="list-style-type: none"> Objectives are set out in the Corporate Plan and feed through into service plans and work plans; these will be updated for 2016/17 in the new Corporate Plan
3.1.4 Measuring the quality of service for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money	<ul style="list-style-type: none"> Member training on performance carried out post election Satisfaction surveys carried out at least every other year to collect information on quality of service Quarterly reporting of progress against key projects, trends and measures: <p><u>CP1:</u></p> <ul style="list-style-type: none"> Prosperous Boston task and finish group underway including looking at the wider context of the trend measures Performance worse than target for major and other planning applications determined by the deadline; action planned to review resources to address this Milestones of the Local Development Scheme are being met 'Boston explore and discover' signage project and 'car parking' project approaching final stages New projects underway to look at Ingelow Avenue and the future management of the May Fair <p><u>CP2:</u></p> <ul style="list-style-type: none"> Positive trend in CCTV outcomes Number of households living in temporary accommodation and improved housing standards better than target Empty property work slightly below target due to a reduction in resources Performance issues relating to food inspections have been successfully addressed and these are now on target with a

¹ All documents are available on the website (www.boston.gov.uk) or from the Council offices unless otherwise stated

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Key elements	Arrangements in 2015/16
	<p>continued low percentage of high risk food businesses rated zero to two</p> <ul style="list-style-type: none"> – CCTV shared service project nearing completion – Housing Strategy pending the New Housing and Planning Bill <p><u>CP3:</u></p> <ul style="list-style-type: none"> – Household waste recycled / composted on target – Residual waste per household worse than last year but this is due to a spike in performance last year as the wider trend shows – Healthy walks and swim sessions at GMLC above target – Boston in Bloom score better than target – Carbon management programme on track with work nearing completion on solar and biomass projects across sites – GMLC customer interaction project – infrastructure now in place and moving on to the implementation of online bookings – Leisure, Health and Wellbeing project – lease agreements in place and board meeting on a monthly basis <p><u>CP4:</u></p> <ul style="list-style-type: none"> – Excellent performance on switchboard with the average waiting time and percentage of abandoned calls better than target – Continued high user satisfaction with IT – Benefit processing times consistently better than target – Collection rates on target – Significant improvement in sickness absence with performance better than target despite it being a stretch target – A number of transformation projects delivered through the year and others progressing on track – Business Rates Assurance work, since its introduction 21 months ago, has had a positive impact on rates payable equating to 10.67% - this amounts to an extra £1.974m across all the organisations that receive Business Rates (i.e. Boston Borough Council, Lincolnshire County Council and Central Government). After allowing for external fees, Boston's share of this gain to date is £0.842m – and going forward, the cases found are currently worth an extra £0.616m each year. Whilst this is very good news, there has been other significant pressures and uncertainties affecting the net business rates income received by the Council, which means that the overall picture is much less positive. <ul style="list-style-type: none"> • Quarterly exception reporting against service and work plans at operational level • Quarterly performance clinics held to challenge and debate performance information to feed into quarterly reporting; now combined with transformation board to improve monitoring • Annual Governance Report / Annual Audit Letter– unqualified audit opinion and value for money conclusion

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Key elements	Arrangements in 2015/16
	<ul style="list-style-type: none"> Comprehensive training programme continues for both officers and Members
3.1.5 Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements	<ul style="list-style-type: none"> Constitution, particularly parts 3 & 4 Review of Constitution commenced in 2015/16 <p>Plans for 2016/17</p> <ul style="list-style-type: none"> The revised Constitution will be presented to Council in June 2016
3.1.6 Developing, communicating and embedding codes of conduct , defining the standards of behaviour for members and staff	<ul style="list-style-type: none"> Constitution, particularly part 5 – codes of conduct including Members' code of conduct and employees' code of conduct
3.1.7 Reviewing the effectiveness of the authority's decision-making framework , including delegation arrangements, decision making in partnerships and robustness of data quality	<ul style="list-style-type: none"> Constitution, particularly part 3a Review of Constitution commenced in 2015/16 including a specific review of delegation and decision making arrangements No data quality issues identified
3.1.8 Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability	<ul style="list-style-type: none"> Member training on risk carried out post election Risk framework and strategic risk register for 15/16 reviewed at Q1 performance clinic and reported through to Scrutiny, Cabinet and Audit & Governance Committee Quarterly reporting of strategic risks and exception reporting of operational and project risks Risk appetite workshop held with CMT and Cabinet in September 2015 and reported through to Scrutiny, Cabinet and AGC <p>Plans for 2016/17</p> <ul style="list-style-type: none"> Risk sessions with managers to embed risk appetite at operational and project level
3.1.9 Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained	<ul style="list-style-type: none"> Anti Fraud and Corruption Policy reviewed, updated and published in March 2015: http://www.boston.gov.uk/CHttpHandler.ashx?id=6449&p=0 Annual Fraud Performance Report 2014/15 reported to AGC in June 2015 Fraud awareness presentation by the Principal Investigator at Lincolnshire Counter Fraud Partnership to AGC in September 2015 Single Fraud Investigation Service (SFIS) and future fraud arrangements update reported to AGC in November 2015 including plan for the management of the residual fraud work left behind following transfer
3.1.10 Ensuring effective management of change and transformation	<ul style="list-style-type: none"> Transformation Programme in place and regularly monitored and reported through quarterly Transformation Board and quarterly reporting Member training on project management and specifically the transformation programme carried out post election CMT have led on identifying new transformation projects for future years Further review of project management completed and agreed by transformation board in July 2015 <p>Plans for 2016/17</p> <ul style="list-style-type: none"> Consultation on new transformation programme in May/June

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Key elements	Arrangements in 2015/16
	<p>2016</p> <ul style="list-style-type: none"> Corporate staff training programme to support the delivery of the new phase of the Transformation Programme Annual review of project management arrangements to ensure they remain fit for purpose
3.1.11 Ensuring the authority's financial management arrangements conform with the governance requirements of the <i>CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)</i> and, where they do not, explain why and how they deliver the same impact	<ul style="list-style-type: none"> Full compliance with the CIPFA guidance: <ul style="list-style-type: none"> Role of Chief Financial Officer (CFO) undertaken by Director of Resources; key member of Corporate Management Team (CMT); professionally qualified accountant with direct access to the Chief Executive, Leader, Cabinet, AGC & the appointed auditors Finance team fit for purpose Medium Term Financial Strategy, annual budget process, compliance with CIPFA codes and guidance on capital finance, treasury management and management of reserves
3.1.12 Ensuring the authority's assurance arrangements conform with the governance requirements of the <i>CIPFA Statement on the Role of the Head of Internal Audit (2010)</i> and, where they do not, explain why and how they deliver the same impact	<ul style="list-style-type: none"> Full compliance with the CIPFA guidance: <ul style="list-style-type: none"> Audit Lincolnshire provide an objective and evidence based opinion on all aspects of governance, risk management and internal control The internal audit service is fit for purpose Audit Lincolnshire report to the Director of Resources providing links to senior management, CMT & AGC The internal audit progress report presented to AGC in March 2016 showed that the audit plan was on track to be completed in 2015/16 and no major improvements needed or inadequate assurance audits have been reported The combined assurance mapping continues to be reported regularly with the latest report to AGC in March 2016 A report on Public Sector Internal Audit Standards was made to AGC in February 2016 noting that an external assessment would be undertaken in line with good practice
3.1.13 Ensuring effective arrangements are in place for the discharge of the monitoring officer function	<ul style="list-style-type: none"> Constitution, part 5d The monitoring officer role is provided by the Head of Customer and Democratic Services
3.1.14 Ensuring effective arrangements are in place for the discharge of the head of paid service function	<ul style="list-style-type: none"> Constitution, part 2, particularly article 12
3.1.15 Undertaking the core functions of an audit committee , as identified in CIPFA's <i>Audit Committees: Practical Guidance for Local Authorities</i>	<ul style="list-style-type: none"> AGC's terms of reference include the core functions (internal audit; external audit & inspection; control strategies; financial statements) Member training carried out post election
3.1.16 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful	<ul style="list-style-type: none"> Regular review of procedures, protocols and processes that underpin the delivery of Council services and functions; the main one this year being the review of the Constitution BBC surveillance policy and procedures reviewed and updated and reported to AGC in September 2015; noted as good practice during a visit of the Surveillance Camera Commissioner in March 2016: http://www.boston.gov.uk/index.aspx?articleid=10347 RIPA training undertaken Annual internal audit plan Annual external audit plan Information Management November – corporate approach to

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Key elements	Arrangements in 2015/16
	<p>auditing information held and raising awareness of correct handling of information</p> <p>Plans for 2016/17</p> <ul style="list-style-type: none"> Phase 2 of corporate information management approach focusing on electronic information in 2016/17
3.1.17 Whistleblowing and for receiving and investigating complaints from the public	<ul style="list-style-type: none"> Whistleblowing Policy in place Feedback Policy in place and bolstered by the addition of the 'Persistent and Vexatious Customer Policy': http://moderngov.boston.gov.uk/documents/s1268/Appendix%20A%20-%20Persistent%20Vexatious%20Customer%20Policy.pdf Quarterly reporting of complaints statistics
3.1.18 Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training	<ul style="list-style-type: none"> Member Learning and Development Strategy 2016-2019 agreed in February 2016 Awarded Councillor Development Charter again in March 2016: http://www.emcouncils.gov.uk/News/boston-awarded-member-development-charter-again Councillor Development Group in place; cross party group which monitors the action plan and progress made Member Learning & Development Strategy and Programme in place; also Personal Development Plans (PDPs) for Councillors Post election training undertaken
3.1.19 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation	<ul style="list-style-type: none"> Boston Bulletin daily; press releases, website, Twitter, Facebook Publication scheme: www.boston.gov.uk/publicationscheme Annual consultation plan Regular 'have your say' survey and other public consultation surveys Development of Boston Youth Council
3.1.20 Enhancing the accountability for service delivery and effectiveness of other public service providers	<ul style="list-style-type: none"> Partners invited to Scrutiny meetings to give evidence to the wide-ranging Prosperous Boston task and finish group; latest update in March 2016: http://moderngov.boston.gov.uk/ieListDocuments.aspx?CId=136&MId=649&Ver=4 Environment Agency invited to the Environment & Performance Committee in January 2016 to update on its work
3.1.21 Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the authority's overall governance arrangements	<ul style="list-style-type: none"> Partnership Governance Framework and partnership register in place and reviewed annually as part of service planning Code of Corporate Governance in place: www.boston.gov.uk/governance CMT assurance checklist completed annually <p>Plans for 2016/17</p> <ul style="list-style-type: none"> Review of contract register, service level agreement register and partnership register to combine into one streamlined, accessible monitoring tool

4. Review of Effectiveness

- 4.1 The Council has responsibility for conducting, at least annually, a review of effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report, and also by comments made by external auditors and other review agencies and inspectorates.

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- 4.2 The effectiveness of the governance framework has been evaluated in the following ways:
- Assurance from CMT
 - Assurance from Audit & Governance Committee
 - Assurance from Internal Audit including regular annual combined audit assurance reports
 - Assurance from appointed external auditors; Annual Governance Report / Annual Audit Letter– unqualified audit opinion and value for money conclusion
 - Quarterly Performance Clinic and reporting to Scrutiny, Cabinet and AGC:
 - The performance of the food safety inspection programme has significantly improved and been more consistent
 - The excellent performance of benefit processing has been maintained consistently which is a major improvement on previous years where there have been peaks and troughs
 - There has been significant improvement in sickness absence
 - Transformation projects were closely monitored throughout the year with quarterly reporting to Transformation Board, Scrutiny & Cabinet

4.3 The following areas for improvement were identified in last year's AGS:

Improvement actions identified	Action taken in 2015/16
Publication of Annual Report in June 2015 – ensure that this is easy to read and understand	<ul style="list-style-type: none"> • Performance information published in the bulletin to make it easier to access and read instead of in a formal annual report format e.g. http://www.boston.gov.uk/CHttpHandler.ashx?id=15660&p=0 • Quarterly information published online at www.boston.gov.uk/performance
Corporate Plan review post May election	<ul style="list-style-type: none"> • Priority workshops held with elected Members, and new Corporate Plan currently being drafted
Post-election training (including performance, value for money, risk, transformation, project management, Audit & Governance Committee)	<ul style="list-style-type: none"> • Post election training undertaken
Regular review and updating of the Constitution as required	<ul style="list-style-type: none"> • Comprehensive review of Constitution undertaken; due to report in June 2016
Risk workshop with CMT and Cabinet to set risk appetite and review strategic risks	<ul style="list-style-type: none"> • Risk appetite workshop undertaken in September 2015 and report to AGC, Scrutiny and Cabinet
Continued focus on identifying new transformation projects for future years	<ul style="list-style-type: none"> • New phase of the transformation programme currently out for consultation
Report review of project management guidelines and templates to Transformation Board and implement	<ul style="list-style-type: none"> • Review completed and agreed by Transformation Board in July 2015 including combining performance clinic and transformation board into one quarterly meeting to streamline monitoring, reporting and decision making
Information audit on a service by service basis, prioritised according to the type of information held (including data quality)	<ul style="list-style-type: none"> • Information Management November event held corporately focusing on information held on paper and raising awareness about how to appropriately handle information
Information Management training for managers	

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5. Significant Governance Issues

5.1 In section 3 above, we have set out the actions we plan to take in 2016/17 against the relevant key element for ease of reference. These are:

Action	Lead	Timescale
Publication of summary end of year report in bulletin -- ensure that this is easy to read and understand	Andrew Malkin / Suzanne Rolfe	June 2016
New Corporate Plan from 2016/17	Katharine Nundy	September 2016
Revised Constitution	Michelle Sacks	June 2016
Risk sessions with managers to embed risk appetite at operational and project level	Suzanne Rolfe	All service areas by March 2017
Consultation on new transformation programme	Rob Barlow	May - July 2016
Corporate staff training programme to support the delivery of the new phase of the Transformation Programme	Rob Barlow	By March 2017
Annual review of project management arrangements to ensure they remain fit for purpose	Suzanne Rolfe	By March 2017
Phase 2 of corporate information management approach focusing on electronic information in 2016/17	Michelle Sacks	By March 2017
Review of contract register, service level agreement register and partnership register to combine into one streamlined, accessible monitoring tool	Suzanne Rolfe	By March 2017

5.2 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed on behalf of Boston Borough Council by the Leader and Chief Executive

Signed.....

 Councillor Peter Bedford
 (Leader)

Signed.....

 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 2016 on pages 1 to 68. 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 2015/16.

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

Respective responsibilities of the Chief Financial Officer and auditor

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

Scope of the audit of the financial statements

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

In addition, we read all the financial and non-financial information in the Narrative Report 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 2016 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 2015/16.

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 IX to XVI does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the Narrative Report 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 the 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 2015, 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 2016.

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 2015, 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 2016.

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
Park Row
Nottingham
NG1 6FQ*

29 September 2016

STATEMENT OF ACCOUNTS

2015/16

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

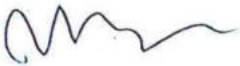
The Strategic Director – Resources has also:

- 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 2016.

CERTIFICATE

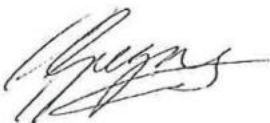
I hereby certify that the following Statement of Accounts gives a true and fair view of the financial position of Boston Borough Council at 31 March 2016 and its income and expenditure for the financial year ended 31 March 2016.



Rob Barlow
Strategic Director – Resources
26 September 2016

FORMAL APPROVAL

The Audit and Governance Committee approved the audited Statement of Accounts on 26 September 2016.



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

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.

2014/15	General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Boston Town Area Committee £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31st March 2014	1,653	7,231	600	221	72	9,777	(811)	8,966
Movement in reserves during 2014/15								
Surplus or (deficit) on the Provision of Services	(2,239)	-	-	-	29	(2,210)	-	(2,210)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(5,035)	(5,035)
Total Comprehensive Income and Expenditure	(2,239)	-	-	-	29	(2,210)	(5,035)	(7,245)
Adjustments between accounting basis & funding basis under regulations (Note 6)	2,774	-	(497)	-	-	2,277	(2,277)	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	535	-	(497)	-	29	67	(7,312)	(7,245)
Transfers to / from Earmarked Reserves (Note 7)	(529)	529	-	-	-	-	-	-
Other Movements in Reserves	(6)	-	-	-	-	(6)	6	-
Increase / (Decrease) in 2014/15	-	529	(497)	-	29	61	(7,306)	(7,245)
Balance at 31st March 2015 carried forward	1,653	7,760	103	221	101	9,838	(8,117)	1,721

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2015/16	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Boston Town Area Committee	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31st March 2015	1,653	7,760	103	221	101	9,838	(8,117)	1,721
Movement in reserves during 2015/16								
Surplus or (deficit) on the Provision of Services	(1,843)	-	-	-	(36)	(1,879)	-	(1,879)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	18,179	18,179
Total Comprehensive Income and Expenditure	(1,843)	-	-	-	(36)	(1,879)	18,179	16,300
Adjustments between accounting basis & funding basis under regulations (Note 6)	988	-	-	145	-	1,133	(1,133)	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	(855)	-	-	145	(36)	(746)	17,046	16,300
Transfers to / from Earmarked Reserves (Note 7)	857	(857)	-	-	-	-	-	-
Other Movements in Reserves	(2)	-	-	-	-	(2)	2	-
Increase / (Decrease) in 2015/16	-	(857)	-	145	(36)	(748)	17,048	16,300
Balance at 31st March 2016 carried forward	1,653	6,903	103	366	65	9,090	8,931	18,021

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.

2014/15			Notes	2015/16		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
3,061	(1,921)	1,140	-	2,680	(1,845)	835
3,243	(1,580)	1,663	-	3,189	(1,556)	1,633
4,364	(1,612)	2,752	-	4,249	(1,504)	2,745
2,157	(896)	1,261	-	1,761	(967)	794
588	(1,035)	(447)	-	606	(1,019)	(413)
22,771	(22,052)	719	-	22,402	(21,263)	1,139
1,223	(47)	1,176	-	1,021	(22)	999
37,407	(29,143)	8,264	Cost of Services	35,908	(28,176)	7,732
2,053	-	2,053	8	2,145	-	2,145
1,969	(643)	1,326	9	1,749	(648)	1,101
5,494	(14,898)	(9,404)	10	5,551	(14,686)	(9,135)
46,923	(44,684)	2,239	(Surplus) or Deficit on Provision of Services	45,353	(43,510)	1,843
		(29)	Boston Town Area Committee (Surplus) or Deficit			36
		(544)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(11,421)
		5,579	Actuarial (gains) / losses on pension assets / liabilities			(6,758)
		5,035	Other Comprehensive Income and Expenditure			(18,179)
		7,245	Total Comprehensive Income and Expenditure			(16,300)

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'.

2014/15 £'000		Notes	2015/16 £'000
17,452	Property, Plant and Equipment	11	28,613
7,517	Heritage Assets	12	7,927
3,238	Investment Property	14	3,257
79	Intangible Assets	-	77
84	Long Term Debtors	16	181
28,370	Long Term Assets	-	40,055
2,770	Short Term Investments	-	7,772
22	Inventories	-	22
3,584	Short Term Debtors	17	2,896
7,306	Cash and Cash Equivalents	18	4,315
13,682	Current Assets	-	15,005
(2,201)	Short Term Creditors	19	(4,300)
(978)	Short Term Provisions	20	(883)
(3,179)	Current Liabilities	-	(5,183)
-	Long Term Provisions	20	-
(1,000)	Long Term Borrowing	16	(1,000)
(36,152)	Other Long Term Liabilities	37	(30,856)
(37,152)	Long Term Liabilities	-	(31,856)
1,721	NET ASSETS	-	18,021
(9,838)	Usable Reserves	7	(9,090)
8,117	Unusable Reserves	22	(8,931)
(1,721)	TOTAL RESERVES	-	(18,021)

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.

2014/15 £'000		2015/16 £'000
2,239	Net (surplus) or deficit on the provision of services	1,843
(3,892)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 23.1)	(5,959)
117	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 23.2)	421
(1,536)	Net cash flows from Operating Activities	(3,695)
1,783	Investing Activities (Note 24)	5,971
(1,106)	Financing Activities (Note 25)	715
(859)	Net (increase) or decrease in cash and cash equivalents	2,991
(6,447)	Cash and cash equivalents at the beginning of the reporting period	(7,306)
(7,306)	Cash and cash equivalents at the end of the reporting period (Note 18)	(4,315)

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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 2016/17 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2016.

- Amendments to IAS 19 *Employee Benefits* (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010 – 2012 Cycle
- Amendment to IFRS 11 *Joint Arrangements* (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs 2012 – 2014 Cycle
- Amendment to IAS 1 *Presentation of Financial Statements* (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- The changes to the format of the Pension Fund Account and the Net Assets Statement.

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. However, in the 2016/17 year the comparator 2015/16 Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement must reflect the new formats and reporting requirements as a result of the CIPFA/LAASAC (Chartered Institute of Public Finance and Accountancy/Local Authority Scotland Accounts Advisory Committee) Telling the Story review of the presentation of local authority financial statements.

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 58, 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

Boston Borough Council

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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;
- 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 2016 the Authority had an outstanding balance of £2.438 m 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;

In 2015/16 IFRS13 was adopted which introduced a new estimation uncertainty into the accounts. Management used valuation techniques to determine the fair value of financial instruments and non-financial assets. This involved developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumption on observable data as far as possible but this is not always available. In that case management used the best information available. Estimated fair values may vary from the actual price that would be achieved in an arm's length transaction at the reporting date.

4. MATERIAL ITEMS OF INCOME AND EXPENSE

Exceptional Items 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 2015/16 Comprehensive Income and Expenditure Statement.

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5. EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet 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.

On 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government, under the new Prime Minister to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future once the UK has left the EU. This is therefore a non-adjusting event for which no estimate of its financial effect on the reporting entity can be made.

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NOTES TO THE MOVEMENT IN RESERVES STATEMENT

6. 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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	General Fund Balance	Capital receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Pensions Reserve	Capital Adjustment Account	Collection Fund Adjustment Account
2014/15	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Depreciation/amortisation	1,002	-	-	1,002	(1,002)	-	(1,002)	-
Impairment/revaluation losses (charged to I&E)	181	-	-	181	(181)	-	(181)	-
Movement in market value of investment property	94	-	-	94	(94)	-	(94)	-
Capital grant and contributions	(1,444)	-	-	(1,444)	1,444	-	1,444	-
Revenue Expenditure Funded from Capital under Statute	1,687	-	-	1,687	(1,687)	-	(1,687)	-
Profit/loss on sale or de-recognition of non current assets	815	46	-	861	(861)	-	(861)	-
Net retirement benefits per IAS19	2,466	-	-	2,466	(2,466)	(2,466)	-	-
Council tax / NNDR adjustment	(62)	-	-	(62)	62	-	-	62
Employer contributions to pension schemes	(1,178)	-	-	(1,178)	1,178	1,178	-	-
Revenue contribution to finance capital	(787)	-	-	(787)	787	-	787	-
Use of capital receipts not linked to disposal of fixed assets	-	(543)	-	(543)	543	-	543	-
Total Adjustments	2,774	(497)	-	2,277	(2,277)	(1,288)	(1,051)	62
2015/16	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Depreciation/amortisation	877	-	-	877	(877)	-	(877)	-
Impairment/revaluation losses (charged to I&E)	74	-	-	74	(74)	-	(74)	-
Movement in market value of investment property	(19)	-	-	(19)	19	-	19	-
Capital grant and contributions	(1,489)	-	145	(1,344)	1,344	-	1,344	-
Revenue Expenditure Funded from Capital under Statute	1,830	-	-	1,830	(1,830)	-	(1,830)	-
Profit/loss on sale or de-recognition of non current assets	17	-	-	17	(17)	-	(17)	-
Net retirement benefits per IAS19	2,708	-	-	2,708	(2,708)	(2,708)	-	-
Council tax / NNDR adjustment	(162)	-	-	(162)	162	-	-	162
Employer contributions to pension schemes	(1,246)	-	-	(1,246)	1,246	1,246	-	-
Revenue contribution to finance capital	(1,602)	-	-	(1,602)	1,602	-	1,602	-
Total Adjustments	988	-	145	1,133	(1,133)	(1,462)	167	162

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7. 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 in the Movement in Reserves Statement. 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 in the Movement in Reserves Statement 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 2016 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 31/3/14 £'000	Movements 2014/15		Balance at 31/3/15 £'000	Movements 2015/16		Balance at 31/3/16 £'000	Purpose of Reserve
		Transfers In £'000	Transfers Out £'000		Transfers In £'000	Transfers Out £'000		
Capital Funding	1,648	967	(399)	2,216	1,160	(1,250)	2,126	To fund future Capital projects
Transformation Reserve	598	739	(95)	1,242	113	(408)	947	To be used to fund the Transformation programme projects
Repairs and Renewals	844	44	(150)	738	11	(88)	661	To fund repairs to Council premises that are not within the current programme of works
ICT Reserve	467	23	-	490	-	(47)	443	To fund future technological projects
Housing Reserves	1,527	606	(288)	1,845	48	(318)	1,575	Revenue grant funding for Homelessness expenditure and County wide homelessness schemes, includes New Homes bonus
Climate change reserve	156	14	(49)	121	15	(48)	88	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.
Insurance Reserve	140	30	-	170	30	-	200	For increased insurance claims' excesses.
Misc. Earmarked Reserves	59	20	(50)	29	-	(14)	15	Various reserves with balances under £100,000.
Business Rates Reserve	730	476	(436)	770	350	(411)	709	For risk of reaching the safety net and deficits in future years.
Flood Reserve	923	-	(923)	-	-	-	-	Funding received to cover costs associated with the flooding in December 2013.
Total Earmarked Reserves	7,231	2,919	(2,390)	7,760	1,727	(2,584)	6,903	
Other Usable Reserves	2,546	75	(543)	2,078	145	(36)	2,187	Mainly General Fund /Capital receipts and Capital Grants Unapplied (refer to the MIRS)
Total Usable Reserves	9,777	2,994	(2,933)	9,838	1,872	(2,620)	9,090	

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NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

8. OTHER OPERATING EXPENDITURE

2014/15 £'000		2015/16 £'000
314	Parish Precepts	334
	Internal Drainage Boards	
978	Witham Fourth	993
734	Black Sluice	747
52	Welland and Deeping	53
1	South Holland	1
(26)	(Gains) / losses on disposal of non-current assets	17
2,053	Total	2,145

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2014/15 £'000		2015/16 £'000
111	Interest payable and similar charges	111
1,259	Net interest on the net defined benefit liability (asset)	1,162
(69)	Interest receivable and similar income	(91)
(20)	Income and expenditure in relation to investment properties and changes in their fair value (see note 14)	(106)
45	Trading Accounts (see note 27)	25
1,326	Total	1,101

10. TAXATION AND NON SPECIFIC GRANT INCOMES

2014/15 £'000		2015/16 £'000
(3,270)	Council tax income	(3,353)
	Non domestic rates income and expenditure	
(1,962)	• Retained Business Rates after payment of tariff	(2,143)
(2,732)	Revenue Support Grant	(1,908)
(1,440)	Non-ring fenced government grants	(1,616)
-	Capital grants	(115)
(9,404)	Total	(9,135)

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NOTES TO THE BALANCE SHEET

11. 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 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.

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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 item 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.

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.

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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; 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

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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 & 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	0	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						0
De-recognition – other						
Other movements in depreciation and impairment	583	166				749
At 31 March 2016	0	(5,063)	0	(62)	-	(5,125)
Net Book Value						
at 31 March 2016	26,626	1,500	482	0	5	28,613
at 31 March 2015	15,837	1,610	-	-	5	17,452

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	Other Land and Buildings £'000	Vehicles, Plant Furniture, & Equipment £'000	Assets Under Construction £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Total Property Plant and Equipment £'000
Cost or Valuation At 1 April 2014	21,022	6,020	43	2,193	4	19	29,301
additions	757	288	-	-	-	-	1,045
Revaluation increases/(decreases) recognised in the Revaluation Reserve	601	4	-	-	-	-	605
Reclassified	43	177	(43)	(177)	-	-	-
De-recognition – disposals	-	(19)	-	-	-	-	(19)
De-recognition – other	-	(1)	-	(2,016)	-	-	(2,017)
Other movements in cost or valuation	(6,586)	-	-	-	-	(14)	(6,600)
At 31 March 2015	15,837	6,469	-	-	4	5	22,315
Accumulated Depreciation and Impairment at 1 April 2014	(5,641)	(4,413)	-	(1,271)	(4)	(14)	(11,343)
depreciation charge	(638)	(350)	-	-	-	-	(988)
impairment (losses)/reversals recognised in the Revaluation Reserve	(126)	-	-	-	-	-	(126)
impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(181)	-	-	-	-	-	(181)
Reclassified	-	(96)	-	96	-	-	-
De-recognition – other	-	-	-	1,175	-	-	1175
Other movements in depreciation and impairment	6,586	-	-	-	-	14	6,600
At 31 March 2015	-	(4,859)	-	-	(4)	-	(4,863)
Net Book Value							
at 31 March 2015	15,837	1,610	-	-	-	5	17,452
at 31 March 2014	15,381	1,607	43	922	-	5	17,958

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11.1 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 – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer (straight-line allocation normally over five to ten years)

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.

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

11.2 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		1,500		1,500
Valued at fair value as at: 31 March 2016	26,626		5	26,631
Total Cost or Valuation	26,626	1,500	5	28,131

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12. 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

2015/16								
Cost or Valuation	£,000 Coins and Medals	£,000 Art Collection	£,000 Silverware, Charters and Civic Regalia	£,000 Archaeology	£,000 Ancient Monuments and Heritage Sites in Boston	£,000 Social History	£,000 Unaccessioned Pieces	£,000 TOTAL
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
Comparative Movements 2014/15								
1 April 2014	4	507	681	2	5,889	321	48	7,452
Additions								
Reclassification	-	15	-	-	-	28	(43)	-
Revaluations Up	-	-	-	-	65	-	-	65
31 March 2015	4	522	681	2	5,954	349	5	7,517

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13. 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.

14. 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.

	2014/15 £'000	2015/16 £'000
Rental income from investment property	(192)	(186)
Direct operating expenses arising from investment property	172	80
Net (gain) / loss	(20)	(106)

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 credit against direct operating expenses arising from investment property in 2015/16 relates to net gains from fair value adjustments, shown in the table below.

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

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	2014/15 £'000	2015/16 £'000
Balance at start of the year	3,332	3,238
Additions/(Disposals)	-	
Net gains / (losses) from fair value adjustments	(94)	19
Transfers:		
• (To) / from Property, Plant and Equipment	-	-
Balance at end of the year	3,238	3,257

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.

15. 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 does not hold assets of this type.

Loans and Receivables

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

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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.

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.

Categories of Financial Instruments

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

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	Long-Term		Current	
	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000
Financial Liabilities at amortised cost	(1,000)	(1,000)	(1,698)	(1,999)
Total Borrowings	(1,000)	(1,000)	(1,698)	(1,999)
Loans and receivables	84	181	13,643	13,294
Total Investments	84	181	13,643	13,294

Income, Expense, Gains and Losses

	2014/15		2015/16	
	Financial Liabilities	Financial Assets	Financial Liabilities	Financial Assets
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Liabilities measured at amortised cost £'000	Loans and receivables £'000
Interest payable and similar charges	(111)	-	(111)	-
Interest and Investment income	-	69	-	91
Net gain/(loss) for the year	(111)	69	(111)	91

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 values calculated are as follows:

	31 March 2015		31 March 2016	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities	(2,698)	(4,420)	(2,999)	(4,729)
Loans and receivables	13,727	13,727	13,475	13,475

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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.

16. 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.

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 2015/16 Annual Treasury Management Strategy which incorporates the prudential indicators and treasury activity limits was approved by Council in March 2015. The key targets within the strategy were:

- The Authorised Limit for 2015/16 was set at £2m (£2m in 2014/15). This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £1m (£1m in 2014/15). This is the expected level of debt and other long term liabilities during the year.

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- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 0% (100% and 0% respectively in 2014/15) 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 2015/16 was approved by Full Council in March 2015 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 2016 that this was likely to occur.

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

	Amount	Historical Experience of Default	Adjustment for market conditions	Estimated maximum exposure to default	Estimated maximum exposure to default
Credit risk	31/3/16 £'000	31/3/16 %	31/3/16 %	31/3/16 £'000	31/3/15 £'000
Deposits with banks and Financial Institutions	12,380	0.02	0.02	2	2
Customers (debtors receivable)	2,953	4	4	118	113

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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	2014/15 £'000	2015/16 £'000
Less than three months	1,358	697
Three to six months	444	462
Six months to one year	196	528
More than one year	825	1,266
	2,823	2,953

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.

The Council's borrowings at 31 March 2016 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 2015 £'000	31 March 2016 £'000
Less than one year	10,076	12,087
One to 5 years	84	181

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.

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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 2015	31 March 2016
	£'000	£'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.

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.

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17. DEBTORS

	31 March 2015 £'000	31 March 2016 £'000
Central government bodies	965	140
Other Local Authorities	1,000	1,036
NHS Bodies	7	7
Other entities and individuals	1,612	1,713
Total	3,584	2,896

18. 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 2015 £'000	31 March 2016 £'000
Cash held by the Council	1	1
Bank current accounts	190	(49)
Call and Short term deposits with Counterparties	7,115	4,363
Total Cash and Cash Equivalents	7,306	4,315

19. CREDITORS

	31 March 2015 £'000	31 March 2016 £'000
Central government bodies	(408)	(1,437)
Other local authorities	(143)	(311)
NHS Bodies	-	-
Other entities and individuals	(1,650)	(2,552)
Total	(2,201)	(4,300)

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20. PROVISIONS

	Outstanding Legal Cases £000	Other provisions £000	Total £000
Balance at 1 April 2014	(95)	(565)	(660)
Balance at 1 April 2015	(95)	(883)	(978)
Additional provisions made in 2015/16	-	-	-
Amounts used in 2015/16	95	-	95
Balance at 31 March 2016	-	(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 2015/16 has been kept the same as 2014/15 at £882,983 and relates to Boston's estimated share of appeals outstanding at 31 March 2016.

21. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and notes 6 and 7.

22. UNUSABLE RESERVES

	2014/15 £'000	2015/16 £'000
Revaluation Reserve (Note 22.1)	(14,047)	(25,467)
Capital Adjustment Account (Note 22.2)	(14,780)	(14,948)
Deferred Capital Receipts Reserve (Note 22.3)	(11)	(11)
Pensions Reserve (Note 22.4)	36,152	30,856
Collection Fund Adjustment Account (Note 22.5)	694	532
Accumulated Absences Account (Note 22.6)	109	107
Total Unusable Reserves	8,117	(8,931)

22.1 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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	2014/15 £'000	2015/16 £'000
Balance at 1 April	(13,520)	(14,047)
Upward revaluation of assets	(670)	(1,127)
Reclassified asset valuation adjustments		(10,383)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	126	89
Amounts written off to the Capital Adjustment Account	17	1
Balance at 31 March	(14,047)	(25,467)

22.2 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 cumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

	2014/15 £'000	2015/16 £'000
Balance at 1 April	(15,814)	(14,780)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
• Charges for depreciation and impairment of non-current assets	988	848
• Revaluation losses on Property, Plant and Equipment	181	74
• Amortisation of intangible assets	14	29
• Revenue expenditure funded from capital under statute	1,687	1,830
• 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	861	17
	(12,083)	(11,982)
Adjusting amounts written out of the Revaluation Reserve	(17)	-1
Capital financing applied in the year:		
• Use of the Capital Receipts Reserve to finance new capital expenditure	(543)	-
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,444)	(1,344)
• Statutory provision for the financing of capital investment charged against the General Fund	-	-
• Capital expenditure charged against the General Fund	(787)	(1,602)
	(2,791)	(2,947)
Movements in the market value and de-recognition of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	94	(19)
Balance at 31 March	(14,780)	(14,948)

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22.3 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.

	2014/15 £'000	2015/16 £'000
Balance at 1 April	(11)	(11)
Balance at 31 March	(11)	(11)

22.4 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.

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	2014/15 £'000	2015/16 £'000
Balance at 1 April	29,285	36,152
Actuarial (gains) or losses on pensions assets and liabilities	5,579	(6,758)
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	2,466	2,708
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,178)	(1,246)
Balance at 31 March	36,152	30,856

22.5 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. The new Localisation of Business Rates arrangement has meant that this account now includes the Council's proportion of Business Rates deficit.

	2014/15 £'000	2015/16 £'000
Balance at 1 April	756	694
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	(62)	(162)
Balance at 31 March	694	532

22.6 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.

	2014/15 £000	2015/16 £000
Balance at 1 April	115	109
Settlement or cancellation of accrual made at end of the preceding year	(115)	(109)
Amounts accrued at the end of the current year	109	107
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	(109)	(107)
Balance at 31 March	109	107

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NOTES TO THE CASH FLOW STATEMENT

23. CASH FLOW STATEMENT – OPERATING ACTIVITIES

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

	2014/15 £000	2015/16 £000
Depreciation and Amortisation	(1,002)	(877)
Impairments / De-recognitions	(275)	(55)
(Increase) / decrease in short term creditors	(86)	(2,099)
Increase / (decrease) in short term debtors *	33	(1,310)
Increase / (decrease) in stock / WIP	(20)	-
Pensions adjustments	(1,288)	(1,462)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(861)	(17)
Other non-cash items charged to the net surplus or deficit on the provision of services	(393)	(139)
	(3,892)	(5,959)

* This includes the adjustment for council tax and NNDR major preceptors as shown in note 25.

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

	2014/15 £000	2015/16 £000
Capital grants received	8	260
Any other items for which the cash effects are investing or financing cash flows	109	161
	117	421

23.3 The Cash Flows for Operating Activities include the following:

	2014/15 £'000	2015/16 £'000
Interest received	(69)	(91)
Interest paid	111	111
	42	20

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24. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2014/15 £'000	2015/16 £'000
Purchase of Property Plant and Equipment, Investment Property and Intangible Assets	1,087	1,116
Purchase of short term and long term investments	12,275	5,750
Proceeds from the sale of Property Plant and Equipment, Investment Property and Intangible Assets	(46)	-
Proceeds from short term and long term investments	(11,525)	(750)
Capital Grants	(8)	(145)
Net cash flows from investing activities	1,783	5,971

25. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2014/15 £'000	2015/16 £'000
Other receipts from financing activities	(46)	(49)
Other payments for financing activities	38	142
Amounts relating to major preceptors & NNDR	(1,098)	622
Net cash flows from financing activities	(1,106)	715

26. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (SEGMENTAL REPORTING)

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of Governance reports analysed across service areas. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

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The income and expenditure (including support service recharges) of the Council's principal service areas recorded in the Quarter 4 Governance Report for the year is as follows:

Table 1: 2014/15 Resource Allocation

Boston Borough Council Income and Expenditure 2014/15	Business Transformation £'000	Finance, Revenues & Benefits £'000	Hsg Property Communities £'000	Leisure £'000	Operations £'000	Planning & Strategy £'000	ICT £'000	Customer Services & Democratic £'000	Total £'000
Fees, Charges & Other service income	(904)	(1,591)	(1,847)	(836)	(3,327)	(2,371)	(837)	(569)	(12,282)
Government Grants	-	(21,396)	(258)	(54)	-	(85)	-	(9)	(21,802)
Total Income	(904)	(22,987)	(2,105)	(890)	(3,327)	(2,456)	(837)	(578)	(34,084)
Employee Expenses	700	1,584	1,314	708	1,821	1,242	289	439	8,097
Other Service Expenses	72	21,460	1,570	1,037	1,959	903	418	371	27,790
Support Service recharges	190	1,539	827	176	1,633	441	113	176	5,095
Total Expenditure	962	24,583	3,711	1,921	5,413	2,586	820	986	40,982
Net Expenditure (Quarter 4 outturn)	58	1,596	1,606	1,031	2,086	130	(17)	408	6,898

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Table 2: 2015/16 Resource Allocation

Boston Borough Council Income and Expenditure 2015/16	Business Transformation £'000	Finance, Revenues & Benefits £'000	Hsg Property Communities £'000	Leisure £'000	Operations £'000	Planning & Strategy £'000	ICT £'000	Customer Services & Democratic £'000	Total £'000
Fees, Charges & Other service income	(892)	(1,676)	(1,587)	(897)	(2,759)	(2,443)	(579)	(581)	(11,414)
Government Grants	-	(20,459)	(416)	(55)	-	(66)	-	(17)	(21,013)
Total Income	(892)	(22,135)	(2,003)	(952)	(2,759)	(2,509)	(579)	(598)	(32,427)
Employee Expenses	661	1,646	1,338	737	1,827	1,314	224	511	8,258
Other Service Expenses	88	20,690	1,894	809	1,462	1,029	249	391	26,612
Support Service recharges	166	1,424	618	195	1,225	443	81	155	4,307
Total Expenditure	915	23,760	3,850	1,741	4,514	2,786	554	1,057	39,177
Net Expenditure (Quarter 4 outturn)	23	1,625	1,847	789	1,755	277	(25)	459	6,750

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Reconciliation of Boston Borough Council Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of Boston Borough Council income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

Table 3: Reconciliation table

	2014/15 £'000	2015/16 £'000
Net Expenditure in the Boston Borough Council Analysis	6,898	6,750
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	1,322	810
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	44	172
Cost of Services Comprehensive Income and Expenditure Statement	8,264	7,732

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Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

Table 4: Reconciliation table 2014/15

2014/15	Directorate Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to management for decision making £'000	Amounts not included in I&E £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges and other service income	(6,279)	-	-	544	(5,735)	(544)	(6,279)
Support Service Recharge income	(5,934)	5,742	-	30	(162)	(30)	(192)
Interest and investment income	(69)	-	-	69	-	(69)	(69)
Income from council tax	-	-	-	-	-	(3,270)	(3,270)
Government grants and contributions	(21,802)	-	(1,444)	-	(23,246)	(6,134)	(29,380)
Total Income	(34,084)	5,742	(1,444)	643	(29,143)	(10,047)	(39,190)
Employee expenses	8,097	-	-	(137)	7,960	137	8,097
Other service expenses	26,110	(769)	-	(243)	25,098	243	25,341
Support Services recharges	5,095	(4,973)	-	(122)	-	122	122
Depreciation, amortisation and impairment	1,680	-	1,924	(97)	3,507	97	3,604
Pension Adjustments	-	-	-	-	-	1,259	1,259
Interest Payments	-	-	-	-	-	111	111
Precepts and Levies	-	-	-	-	-	2,079	2,079
Gain or loss on disposal of fixed assets	-	-	842	-	842	(26)	816
Total expenditure	40,982	(5,742)	2,766	(599)	37,407	4,022	41,429
Surplus or deficit on the provision of services	6,898	-	1,322	44	8,264	(6,025)	2,239

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Table 5: Reconciliation table 2015/16

2015/16	Directorate Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to management for decision making £'000	Amounts not included in I&E £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges and other service income	(6,224)	-	-	528	(5,696)	(529)	(6,225)
Support Service Recharge income	(5,099)	4,978	-	29	(92)	(29)	(121)
Interest and investment income	(91)	-	-	91	-	(91)	(91)
Income from council tax	-	-	-	-	-	(3,353)	(3,353)
Government grants and contributions	(21,013)	-	(1,374)	-	(22,387)	(5,781)	(28,168)
Total Income	(32,427)	4,978	(1,374)	648	(28,175)	(9,783)	(37,958)
Employee expenses	8,258	-	300	(144)	8,414	144	8,558
Other service expenses	25,016	(787)	-	(231)	23,998	231	24,229
Support Services recharges	4,307	(4,191)	-	(116)	-	116	116
Depreciation, amortisation and impairment	1,596	-	1,884	15	3,495	(15)	3,480
Pension Adjustments	-	-	-	-	-	1,162	1,162
Interest Payments	-	-	-	-	-	111	111
Precepts and Levies	-	-	-	-	-	2,128	2,128
Gain or loss on disposal of fixed assets	-	-	-	-	-	17	17
Total expenditure	39,177	(4,978)	2,184	(476)	35,907	3,894	39,801
Surplus or deficit on the provision of services	6,750	-	810	172	7,732	(5,889)	1,843

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27. 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.

	2014/15			2015/16		
	Gross Expenditure £'000	Gross Income £'000	Net Deficit / (Surplus) £'000	Gross Expenditure £'000	Gross Income £'000	Net Deficit / (Surplus) £'000
Trading Activity						
Trade Waste	181	(180)	1	132	(183)	(51)
Markets	245	(201)	44	264	(188)	76
Total for the year	426	(381)	45	396	(371)	25

28. MEMBERS' ALLOWANCES

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

	2014/15 £'000	2015/16 £'000
Allowances	184	175
Expenses	10	9
Total	194	184

29. 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 Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers, or making an offer to encourage voluntary redundancy.

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Senior Officers

The remuneration paid to and in respect of the Council's senior employees is as follows. We define senior officers as Directors and those who report directly to the Chief Executive.

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.

2014/15 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 (to 30 November 2014)	87,850	-	87,850	-	87,850
The occupant of this post was not a direct employee of the Council, but was contracted on an interim consultancy basis. The occupant left on 30 November 2014, and for the remainder of 2014/15 the Head of Paid Service position was covered by the Strategic Director & Deputy Chief Executive.					
Strategic Director & Deputy Chief Executive	84,212	-	84,212	19,391	103,603
Strategic Director (S151)	82,578	-	82,578	19,015	101,593
The costs of the Strategic Director (S151) are shared 50% with East Lindsey District Council, however the Officer is employed by Boston Borough Council and so is shown 100% in this note					
Head of Business Transformation	27,348	-	27,348	6,297	33,645
The post holder works part time, the annualised salary for this post would be £50,594					
Head of Customer & Democratic Services and Monitoring Officer	59,422	-	59,422	-	59,422
The occupant of this post is not a direct employee of the Council, but is contracted on an interim consultancy basis. In 2013/14 this role was provided under a wider contractual arrangement.					

2015/16 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	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.					

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Other Officers above £50,000

Detailed below are the numbers of other employees of the Council whose remuneration in 2015/16 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;		
	2014/15 Number of Employees	2015/16 Number of Employees
Allowance Band		
£50,000 to £54,999	3	2
£55,000 to £59,999	-	3
£60,000 to £64,999	1	-
£65,000 to £69,999	1	-
£70,000 to £74,999	-	1
£75,000 to £79,999	-	-
£80,000 to £84,999	-	1

One officer who is shown in full above is funded 15% by East Lindsey District Council.

Exit Packages

There were no exit packages in either 2015/16 or in the previous year (2014/15), therefore no costs have been charged to the Council's Comprehensive Income and Expenditure Statement.

30. 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:

	2014/15 £'000	2015/16 £'000
Fees payable to the appointed auditor with regard to external audit services carried out by the appointed auditor for the year *	58	44
Fees payable to the appointed auditor for the certification of grant claims and returns for the year	9	8
Fees payable in respect of other services provided during the year	2	1
Total	69	53

31. 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.

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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 grants received in advance. 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 2015/16.

	2014/15 £'000	2015/16 £'000
Credited to Taxation and Non Specific Grant Income		
Capital Grants and Contributions	-	115
Formula Grant	2,732	1,908
Non Service Related Government Grants	1,440	1,616
Total	4,172	3,639

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

	2014/15 £'000	2015/16 £'000
Credited to Services		
Housing Benefit Subsidy	20,762	20,026
Benefits Administration Grant	376	331
Flood Grants	1,155	1,014
Domestic Abuse Bid	129	301
Disabled Facilities Grant	221	279
Health Funding	125	112
PSICA Grant	-	168
Other	554	388
Total	23,322	22,619

32. RELATED PARTIES

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

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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 26 on reporting for resource allocation decisions.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in Note 28. The relevant disclosures are:

Seven members declared interest in organisations who have in 2015/16 transacted with the Council for the 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, all of which are deemed to be immaterial.

Officers

Seven officers declared an interest in an organisation or partnership that transacts with the Council, none of which are considered material. Three 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 Strategic Director Resources and Section 151 Officer, Deputy S151 Officer, and Monitoring Officer, hold the same appointment at East Lindsey District Council. During 2015/16, the Council received £106,380 (£70,832 for 2014/15) from East Lindsey District Council for the sharing of the posts.

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 2015/16 was £178,909 (£138,650 for 2014/15).

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 2015/16 the Council received £182,114 (£188,818 in 2014/15) in respect of this sharing arrangement.

Pension Fund – the Council paid an employer's contribution of £1.246m into Lincolnshire County Council's Superannuation Fund (£1.178m in 2014/15). Under the requirements of IAS19 the actuarial estimate shows a contribution of £1.174m (£1.106m in 2014/15). The fund provides its members with defined benefits related to pay and service. Full disclosure on Retirement Benefits is shown in Note 37.

Levying Bodies

Internal drainage boards and parish councils levy demands on the Council Tax, and further details are set out in Note 8.

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33. 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.

	2014/15 £'000	2015/16 £'000
Opening Capital Financing Requirement	(541)	(541)
Capital Investment		
Property, Plant and Equipment	1,087	1,116
Revenue Expenditure Funded from Capital Under Statute	1,687	1,830
<i>Sources of finance</i>		
Government grants and other contributions	(1,444)	(1,344)
Sums set aside from revenue:		
Reserves	(787)	(1,602)
Capital receipts	(543)	-
Closing Capital Financing Requirement	(541)	(541)

34. 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

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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 therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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 2016 at £3.4m

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(£3.2m in 2014/15), have been leased. Details of the income and expenditure relating to leased property can be found at Note 14.

35. IMPAIRMENT LOSSES

During 2015/16 the Council recognised impairment losses of £74,000 on land and buildings (£181,000 in 2014/15). No impairment losses were recognised on investment properties (£103,750 in 2014/15).

During 2015/16 the Council recognised reversals of impairment losses on re-valued assets of £89,000 (£126,000 in 2014/15) in the Other Comprehensive Income and Expenditure section of the Movement In Reserves Statement and taken to the Revaluation Reserve in the year.

36. TERMINATION BENEFITS

The Council did not terminate the contracts of any employees during 2015/16, incurring no liabilities (nil in 2014/15), see note 29.

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:

- 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 3.5% (based on the indicative rate of return on high quality AA corporate bonds). For comparison, 3.2% was used in 2014/15.
- 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

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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.

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.

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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:

	Local Government Pension Scheme	
	£'000	£'000
	2014/15	2015/16
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
• Current Service Cost	1,207	1,546
• Past Service Costs	-	-
• Settlements and Curtailments	-	-
<i>Financing and Investment Income and Expenditure:</i>		
• Net interest expense	1,259	1,162
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	2,466	2,708
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)	(3,092)	829
• Actuarial gains and losses arising on changes in demographic assumptions	-	-
• Actuarial gains and losses arising on changes in financial assumptions	9,315	(6,548)
• Other Experience	(644)	(1,039)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	5,579	(6,758)
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	(2,466)	(2,708)
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' Contributions payable to the Scheme	1,178	1,246

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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 2014/15	£'000 2015/16
Present value of the defined benefit obligation	76,748	70,903
Fair value of plan assets	(40,596)	(40,047)
Net Liability arising from defined benefit obligation	36,152	30,856

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

	Local Government Pension Scheme	
	£'000 2014/15	£'000 2015/16
Opening fair value of scheme assets	37,031	40,596
Interest income	1,568	1,283
Remeasurement gain / (loss):		
• The return on plan assets, excluding the amount included in the net interest expense	3,092	(829)
Contributions from employer	1,178	1,246
Contributions from employees into the scheme	315	325
Benefits paid	(2,588)	(2,574)
Other	-	-
Closing fair value of scheme assets	40,596	40,047

Reconciliation of Present Value of the Scheme Liabilities

	Local Government Pension Scheme	
	£'000 2014/15	£'000 2015/16
Opening balance at 1 April	66,316	76,748
Current Service Cost	1,207	1,546
Interest Cost	2,827	2,445
Contributions by Scheme Participants	315	325
Remeasurement gains / losses:		
• Actuarial gains / losses arising from changes in demographic assumptions	-	-
• Actuarial gains / losses arising from changes in financial assumptions	9,315	(6,548)
• Other Experience	(644)	(1,039)
Past Service Costs	-	-
Losses / (gains) on curtailment	-	-
Benefits paid	(2,588)	(2,574)
Closing balance at 31 March	76,748	70,903

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Local Government Pension Scheme assets comprised:

	Fair value of scheme assets	
	£'000 2014/15	£'000 2015/16
Cash and cash equivalents	580.7	432.4
Equity Securities:		
• Consumer	7,752.9	8,296.6
• Manufacturing	1,134.0	889.3
• Energy and utilities	2,506.0	2,169.8
• Financial institutions	4,810.6	4,320.2
• Information technology	1,537.1	1,485.4
• Other	4,797.8	4,443.2
Sub-total equity	22,538.4	21,604.5
Debt Securities:		
• Corporate	3,997.8	3,905.8
• Government	770.5	828.4
• Other	529.8	560.2
Sub-total bonds	5,298.1	5,294.4
Real Estate:		
• UK Property	3,984.4	4,261.7
• Overseas Property	465.2	434.7
Sub-total Real Estate	4,449.6	4,696.4
Private equity	1,733.8	1,463.1
Investment Funds and Unit Trusts:		
• Equities	2,099.4	2,259.5
• Bonds	-	-
• Other	3,896.0	4,296.7
Sub-total Investment Funds and Unit Trusts	5,995.4	6,556.2
Total assets	40,596.0	40,047.0

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 2013. The significant assumptions used by the actuary are:

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	Local Government Pension Scheme	
	2014/15	2015/16
Mortality assumptions:		
<i>Longevity at 65 for current pensioners (years):</i>		
Men	22.20	22.20
Women	24.40	24.40
<i>Longevity at 65 for future pensioners (years):</i>		
Men	24.50	24.50
Women	26.80	26.80
Rate of inflation	3.30%	3.20%
Rate of increase in salaries *	3.80%	3.70%
Rate of increase in pensions	2.40%	2.20%
Rate for discounting scheme liabilities	3.20%	3.50%
Take-up of option to convert annual pension into retirement sum	63.00%	63.00%

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 2016	Approximate % increase to Employer Liability	Approximate monetary amount £'000
0.5% decrease in Real Discount Rate	10	6,899
1 year increase in member life expectancy	3	2,127
0.5% increase in the Salary Increase Rate	3	1,806
0.5% increase in the Pension Increase Rate	7	5,010

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 2013. 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 2013/14 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 £1.214m in expected contributions to the scheme in 2016/17.

The 2015/16 weighted average duration of the defined benefit obligation for scheme members is 17.2 years (17.2 years in 2014/15).

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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 2016.

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 2016.

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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 NNDR (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	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
	£'000	£'000	£'000	£'000	£'000	£'000
INCOME						
Council Tax Receivable	-	-	(25,996)	(27,178)	(25,996)	(27,178)
Business Rates Receivable	(19,900)	(18,863)	-	-	(19,900)	(18,863)
Transitional Protection Payments receivable	253	175	-	-	253	175
Other items	41	-	(2)	-	39	-
	(19,606)	(18,688)	(25,998)	(27,178)	(45,604)	(45,866)
EXPENDITURE						
Apportionment of Previous Year Surplus / (Deficit)						
Boston Borough Council	(431)	(497)	-	22	(431)	(475)
Lincolnshire County Council	(108)	(124)	-	129	(108)	5
Lincolnshire Police and Crime Commissioner	-	-	-	23	-	23
Central Government	(539)	(622)	-	-	(539)	(622)
	(1,078)	(1,243)	-	174	(1,078)	(1,069)
Precepts, Demands and Shares						
Boston Borough Council	7,388	7,584	3,241	3,326	10,629	10,910
Lincolnshire County Council	1,847	1,896	18,527	19,300	20,374	21,196
Lincolnshire Police and Crime Commissioner	-	-	3,371	3,513	3,371	3,513
Central Government	9,235	9,480	-	-	9,235	9,480
	18,470	18,960	25,139	26,139	43,609	45,099
Charges to Collection Fund						
Less write offs of uncollectable amounts	623	360	329	494	952	854
Less Increase / (Decrease) in Bad Debt Provision	212	112	337	377	549	489
Less Increase / (Decrease) in Provision for Appeals	1,296	-	-	-	1,296	-
Less Cost of Collection	87	88	-	-	87	88
Other items	68	108	5	-	73	108
	2,286	668	671	871	2,957	1,539
(Surplus) / Deficit arising during the year	72	(303)	(188)	6	(116)	(297)
(Surplus) / Deficit brought forward 1 April	1,972	2,044	(253)	(441)	1,719	1,603
(Surplus) / Deficit carried forward 31 March	2,044	1,741	(441)	(435)	1,603	1,306

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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 National Non-Domestic 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 2015/16 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	8.9
A (Disabled Relief)		6/9	6,454.8
B		7/9	3,845.7
C		8/9	4,506.7
D		9/9	1,829.9
E		11/9	899.5
F		13/9	278.7
G		15/9	121.6
H		18/9	6.0
TOTAL			17,951.9
Less provision for bad and doubtful debts (1.0%)			(179.5)
Tax base for tax setting			17,772.4

The basic level of Council Tax for the year, per band D property, excluding any parish precept, was £1,451.97. 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)

NNDR is organised on a national basis. The Government specifies an amount to be levied each year, 49.3p for 2015/16 (2014/15 – 48.2p) with a small business rate multiplier of 48.0p (47.1p in 2014/15), 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 £18.7m (2014/15 - £19.6m). The total rateable value for the Council's area at 31 March 2016 was £49.422m (2014/15 - £49.469m).

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:

	2014/15 £'000	2015/16 £'000
Balance at 1 April 2015	1,412	2,208
Amount charged to provision	(500)	-
Increase in provision required	1,296	-
Balance at 31 March 2016	2,208	2,208
Boston Borough Council's share	883	883

In 2015/16 (as in 2014/15) the Council has 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.

2014/15	Precept £	Previous Year's Surplus / (Deficit) £	NNDR 1 Share £	Total £
Lincolnshire County Council	18,527,234	(107,865)	1,847,028	20,266,397
Lincolnshire Police and Crime Commissioner	3,370,295	-	-	3,370,295
Central Government	-	(539,324)	9,235,142	8,695,818
Boston Borough Council	3,241,171	(431,459)	7,388,113	10,197,825
TOTAL	25,138,700	(1,078,648)	18,470,283	42,530,335

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

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An analysis of the balance on the fund at the end of 2015/16, which will be shared amongst the Precepting bodies in 2016/17, is as follows (surplus)/deficit:

Precepting Body	Council Tax £		NNDR £	
	2014/15	2015/16	2014/15	2015/16
Lincolnshire County Council	(325,909)	(321,178)	204,381	174,117
Lincolnshire Police and Crime Commissioner	(59,315)	(57,334)	-	-
Central Government	-	-	1,021,907	870,583
Boston Borough Council	(56,173)	(56,532)	817,526	696,467
	(441,397)	(435,044)	2,043,814	1,741,167

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Technical Appendix – Accounting policies without accompanying notes

General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 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 probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are 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 those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Code of Practice 2015/16 (SERCOP). The total absorption costing principle is used, with the full cost of overheads and support services is shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core are costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs are the cost of discretionary benefits awarded to employees retiring early and any impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

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.

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Provisions

Provisions are made where an event has taken place that gives the Council an 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.

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

BAD DEBTS

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

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

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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:

- Property, Plant and Equipment
- Other land and buildings
- Vehicles, plant, furniture and equipment

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- 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.

COMMENCEMENT OF THE LEASE TERM

The date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease (i.e. the recognition of the assets, liabilities, income or expenses resulting from the lease, as appropriate).

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 –

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occurrence of one or more uncertain future events.

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.

INTANGIBLE ASSETS

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

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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 in 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)

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 the

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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.

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SEGMENT

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

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.

