Public Document Pack

HOUSING SCRUTINY SUB-COMMITTEE

Monday, 20 July 2020	5.00 pm	Virtual Meeting

Membership:	Councillors Gary Hewson (Chair), Pat Vaughan (Vice-Chair), Liz Bushell, Christopher Reid, Edmund Strengiel, Loraine Woolley, Mick Barber, Bearder, Debbie Rousseau and Sheila Watkinson
Substitute members:	Councillors Biff Bean and Susie Parry
Officers attending:	Democratic Services, Chris Morton and Daren Turner

Virtual Meeting

To join this virtual meeting please use the below link:

https://zoom.us/j/91618429406

Alternatively, please join the meeting via telephone by calling **0330 088 5830** using the following ID:

916 1842 9406

AGENDA

SECTION A		**Pages**
1.	Confirmation of Minutes – 27 January 2020	**3 - 8**
2.	Declarations of Interest Please note that, in accordance with the Members' Code of Conduct, when declaring interests members must disclose the existence and nature of the interest, and whether it is a disclosable pecuniary interest (DPI) or personal and/or pecuniary.	
3.	LTP Matters	
4.	Housing Department Update - Covid 19	**9 - 16**
5.	Housing Finance	**17 - 40**

This page is intentionally blank.

Present:	Councillors Councillor Gary Hewson *(in the Chair)*, Liz Bushell, Christopher Reid, Edmund Strengiel, Pat Vaughan and Loraine Woolley
Apologies for Absence:	None.
Also in Attendance:	Mick Barber (Chair of LTP), Steven Bearder (Member of LTP), Debbie Rousseau (Member of LTP) and Sheila Watkinson (Member of LTP)

61. Confirmation of Minutes - 4 November 2019

RESOLVED that the minutes of the meeting held on 4 November 2019 be confirmed.

62. Matters Arising

Ermine A46 Pollution

Daren Turner, Strategic Director Housing and Investment gave an update on minute number 52 in relation to the complaints received about pollution on the A46 bypass where trees had been removed. He advised that he had spoken with the Highways Manager for the area who had confirmed that work would be undertaken on the A46/A15 junction on the roundabout to include additional lanes. The Highways Officer had offered to attend a future meeting of Housing Scrutiny Sub Committee to answer any questions, however the committee did not feel that it was necessary at this time.

The environmental impact had been considered by the Pollution Control Officer who had advised that although pollution levels were higher than he would like to see they still remained within the parameters. Acoustic fences had been installed at the properties which backed on to the road to reduce the noise. Also the shrubs that had been removed would not have made a difference to noise levels, however, the psychological impact of greenery could be that people perceived it to be less noisy.

Mick Barber the Chair of LTP advised that some resident involvement work was being undertaken in the area affected and he would like to speak to residents on this matter to find out their views. He would report back to the next meeting of Housing Scrutiny Sub Committee.

Housing Officers

The Chair referred to minute number 52 and advised that a list of the Housing Officers and their patches had been circulated to all members. Within a month another list had been circulated with changes, there needed to be more stability with Housing Officers.

Notice Boards

Daren Turner, Strategic Director of Housing and Investment referred to minute number 52 and advised that a range of options had been looked at. There were

750 blocks of flats, to place a notice board in each block it would cost £48,600 for the noticeboards plus labour to install them, it would cost a total of £78,000. Another option was to install 1 noticeboard outside each block of flats.

The Chair commented that he thought that the noticeboards should go ahead as they could include details of Housing Officers, fire procedures and cleaning records.

63. Declarations of Interest

No declarations of interest were received.

64. LTP Matters (Verbal Report)

Mick Barber, Chair of Lincoln Tenants Panel gave the following update:

Noticeboards

- Noticeboards had been discussed at the Allocations and Tenants meetings.
- There was an average of 680 noticeboards needed.
- The Green paper stated the information on fire points would be required but they were still waiting for the white paper to be published.
- There was currently no information available for fire points.
- LTP would like to run a pilot notice board in the Cannon Street area.
- The Council's Caretakers could install the noticeboards which would reduce labour costs.
- Residents felt that these should have been installed a while ago.
- The communal areas in the flats needed to be cleared.

Housing Officers

- LTP would like to see a breakdown of which Housing Officer covered which area and what they were responsible for.

Keeley Johnson, Tenancy Services Manager responded that there had been a number of Housing Officer staffing issues recently including long term sickness, secondments and maternity leave. The Housing Officers did provide a consistently good service. The team would be back up to full resources shortly.

Lincoln Tenants Panel

- Jo Crookes, Customer Services Manager had been invited to attend the next LTP meeting regarding the call answering times.
- The panel would be supporting a change in the target for the call answering time.
- The Moving Policy would be going to the next LTP meeting.

65. Update on Housing Officers - Chair of Lincoln Tenant's Panel (Verbal Report)

This item was discussed under LTP matters.

66. Tenancy Sustainment (Verbal Report)

Keeley Johnson, Tenancy Services Manager gave a verbal update on Tenancy Sustainment and raised the following main points:

- Tenancy Sustainment was a key priority for the authority.
- With the continued changes to the welfare system it was important to help tenants sustain their tenancy.
- The Council had an eviction protocol which meant that eviction was only used as a very last resort.
- New tenants would be visited within the first week of moving into a property. This would provide an opportunity to welcome the tenant and provide advice on sustaining their tenancy.
- A vulnerability survey would take place at the beginning of the tenancy.
- Officers were looking at resources to see if they could be allocated to set up a separate Tenancy Sustainment Team.
- The Tenancy Sustainment Team would specialise in providing advice on benefits etc and assist people with sustaining their tenancy.

The committee discussed the verbal update and raised the following main points:

Comment: The new systems were working as the Housing Appeal Panel were being held much less often than previously.
Response: Issues were being addressed before they reached a point where they needed to go to a Housing Appeals Panel.
Question: Why was helping people to downsize not a priority?
Response: It was a priority, Officers tried to approach this in a holistic way which included visiting tenants and explaining the benefits of moving, however, people could not be made to move if they did not want to.
Question: What support was available for people who wanted to downsize?
Response: Housing Officers, Allocations and Welfare Officers could all provide advice and support to those tenants who wanted to downsize.
Question: Would tenants still be charged spare room subsidy if they proved that they were actively trying to move house?
Response: It was clear in legislation that there would be a reduction in Housing Benefit if there was one or more spare room. Tenants could make an application for Discretionary Housing Payments.
Question: When were prospective tenants taken through the tenancy agreement?
Response: Currently they received a copy of the Tenancy Agreement when they signed up. However this was not ideal and was being changed so that they received a copy of the Tenancy Agreement when they were allocated a property. They would then have time to read it between allocation and sign up.
Question: How many Housing Assistant posts were there?
Response: There were 3 posts.
Question: Could more visits take place?
Response: Housing Officers were regularly out on the Estates, however, tenants had the right to peaceful enjoyment of their homes.

The Strategic Director of Housing and Investment explained that there was currently a lot of work being undertaken to help tenants sustain their tenancies. Officers were considering setting up workshops for new tenants to provide support and to signpost tenants to access services. The aim was to provide every opportunity to assist tenants.

The Tenancy Services Manager added that nationally there had been large cuts to the advice and support sector. The Council wanted to be approachable, empathetic and to help tenants keep their tenancies.

The Chair commented that it was important to measure how well the Authority was achieving in this area and suggested that some Performance Indicators be included in next year's targets.

RESOLVED that the verbal update be noted.

67. Housing Planned Works (Verbal Report)

The Chair explained that the Committee had previously asked for the planned works for the forthcoming year be circulated to all members for information. He confirmed that members had received this information and asked why the planned works had been changed since the beginning of the year?

Kevin Bowring, Maintenance and Investment Manager presented the data from the Asset Management System. He gave an example of kitchen and bathroom installations and explained that the data dealt with 'on average' figures assuming that all kitchens and bathrooms needed to be replaced after 20 years. He further explained that this may not be the case as on inspection the kitchens or bathrooms may not need to be replaced if they had been looked after. Also, throughout the year tenants would report faults with their kitchen or bathroom, the process was that an inspection would take place and they would either be repaired or if necessary replaced which would be added to the planned works. The planned works would be constantly updated throughout the year.

The Chair commented that the budget had been significantly reduced since the beginning of the year and asked why the money had been taken out of the planned works budget?

The Assistant Director of Housing explained that the initial planned works programme was set at the beginning of the year, it was then tweaked and altered throughout the year. He explained that money would be reallocated if there was any left in the budget due to a number of reasons. He advised that this could be due to the work that was expected to be completed at the beginning of the year but was then found to not be needed which meant there was money left over. He clarified that this did not mean that less work was being completed, as the money was only reallocated once all of the necessary work had been completed.

RESOLVED that the verbal report be noted.

68. Work Programme Update 2019/20

The Chair

a. presented the work programme for the Housing Scrutiny Sub Committee for 2019/20 as detailed at Appendix A of the report.

b. advised that this was an opportunity for committee to suggest other items to be included on the work programme.

The Chair requested that the following reports be scheduled into the work programme:

- Tenancy Agreement update
- A breakdown in expenditure between repairs/maintenance and Management.

RESOLVED that

1. the work programme be noted.
2. the following reports be scheduled into the work programme

- Tenancy Agreement update
- A breakdown in expenditure between repairs/maintenance and Management

This page is intentionally blank.

Item No. 4

HOUSING SCRUTINY SUB COMMITTEE **20 JULY 2020**

SUBJECT:	**HOUSING DEPARTMENT UPDATE – COVID 19**
DIRECTORATE:	**HOUSING AND INVESTMENT**
REPORT AUTHOR:	**DAREN TURNER, STRATEGIC DIRECTOR**

1. Purpose of Report

1.1 To provide an update to Housing Scrutiny Sub Committee on the Departments response to the COVID 19 epidemic and the future implications of that response. The report will give a summary position for members and will be supported by a detailed presentation on the position of all Housing Services by Assistant Directors.

2. Background

2.1 The City of Lincoln Council like councils across the country have been responded to the local impact of the international and national crisis caused by the global COVID 19 pandemic. As we would expect the council has been exemplary in its response both in the way it has continued to support sits residents and the most vulnerable in its communities as well as safeguarding and protecting its staff. As the LG minister has said we have provided the final mile. The Housing Department and its staff has played a massive role in this response.

2.2 The nature of this response at a summary level is detailed in the main body of the report. The report lays out responses across services areas split by AD responsibility. This response comes at a cost not just in financial terms but also in terms of impact on staff, tenants and partner organisations. This impact will shape the way we operate in the short to medium term and may well provide the blueprint of how we operate and serve our customers in the future.

2.3 Please note that the Housing management team will give a detailed presentation to the committee to compliment and supplement this introductory report. The detail provided below is designed to give an initial snap shot of the situation.

3. Initial Response

3.1 Housing Investment and Repairs Service :-

- Investment***.***

  Initially staff left the workplace and continued to work from home, where possible. Work that could continue and complete outside of homes and in a safe environment was continued. Guidelines from government mean that where possible we had to continue with gas servicing. As work dried up we tried to help partner organisations, as they employ local labour, by using staff to supplement the voids programme. Contractual obligations were reviewed, and payment plans were put in place. Within a short space of time both Keir and Aaron furloughed large numbers of their staff. As a consequence, the decent homes programme and other stock improvements projects have slowed almost to a standstill.

- Housing Repairs Service***.***

As many staff left the workplace before the lockdown the service moved to an emergency repairs process fairly quickly. This meant staff working on new rotas to make sure we had enough PPE and staff got the down time they needed. Repairs numbers dropped away quickly as people, while the epidemic developed, did not want operatives in their home. Initially we did not record anything other than emergency repairs as the CSA team were under great pressure at the time. Staff who were not in the workplace returned their fleet to Hamilton House (HH), the vehicles were cleaned down and emptied of stock. The highest standard of PPE were issued to the teams, and revised Risk Assessments and Method Statements (RAMS) were developed alongside the Safety Assurance Team (SAT). Access to HH was restricted. Our stores offer was problematic as Travis Perkins shut down their operation nationally, however we managed to keep our satellite site open. Supply chain delivery became an issue very quickly as business and suppliers shut down. Some work that could be completed safely away from tenants' homes was initially continued, surplus labour was pushed to the voids process in order to push empty properties through the system to cope with demand from Housing Solutions. A number of operatives joined the befriending service and carried out other duties such as delivering food parcels for local charities.

3.2 Housing Management:-

- Tenancy Services

Several staff were removed from front line services as part of the initial move to shield. The remaining left city hall when the lockdown began. Most could work from home effectively. All home visits were curtailed, and tenant support was delivered over the phone. A concerted campaign was run, with support of corporate communications, to urge people to keep in touch and not fall into arrears (get in touch not into debt). A decision was made fairly early on to bring forward the two rent free weeks that we usually see at Christmas and then to compliment this we designed and launched a hardship fund that allowed tenants who were struggling as a result of the C19 lockdown to get some short term help with their rent. New tenancies came to a standstill as we were only allocating in emergencies and to Band One on the register. The courts ceased to operate, and the government put a short-term moratorium on evictions so manging accounts in arrears became extremely difficult. A detailed process of arrears monitoring was set up and this formed that basis of the Delta Returns to government – these measured the financial impact of the epidemic on LA's.

- Elderly Services

  As the service had moved to a more mobile support process there was limited impact initially. Initially, as we had great concerns about this customer group, we stopped usage of the communal areas and restrict visits to the premises. We introduced an increased cleaning regime which concentrated on the high contact points within the schemes. Allocations into supported housing have been paused, again to the risks with this area, we are now allocating on a case by case basis. The LINCARE team continued to operate initially from city hall, as they had traditionally worked in rotas, we had no issue with working practices. Within a few weeks we are able to upgrade the technology we use to allow staff to operate normally from home. Due to initial concern about pressure on this service with the lockdown implementation ten staff from around CH were trained in the usage of the system so that it could be continued to be delivered if a number of staff were taken ill.

- Voids

  Initially there was a great deal of pressure to get void properties through the system to allow housing solutions colleagues to respond to government instructions on rough sleeping. Hand overs were extremely difficult to undertake as we stopped all face to face contact. Additional labour was pushed into the process as we saw a drop off in housing repairs requests. Emerging issues with the supply chain and sub-contractors have restricted what we have been able to achieve in this area. Continental Landscapes have continued to deliver the external works throughout.

- Housing Solutions

  Again a number of staff were removed from front line service as the lockdown unfolded, all remaining staff left CH when the complete lockdown was announced with the majority working from home. In the early stages of the crisis the government directed Councils to only allocate properties to those in need as a result of the lockdown measures, which remains the current guidance. We were also tasked with setting aside isolation units for the homeless rough sleeping cohort in order that they could be given the opportunity to isolate if they displayed symptoms. At the time of lockdown we had hoped that the implementation of the new Allocations policy would be progressing. The updating of the allocations process was reliant on the software enhancements to Abritas, unfortunately the software company who provide the system immediately furloughed all their staff so progress in this area was limited

- Homelessness and Rough Sleeping

  This service has continued through and managed massive additional pressure as partner providers fell away. Great care was taken with staff well fare and the required PPE was distributed to staff. Although initially numbers decreased as the council, along with all other DC’s in the county, responded to the Everyone in campaign. However, tenant behaviour has been a constant issue and providers refusing to house client or even evicting tenants has provided an additional pressure to the team. Additional units have been leased in the short term from the private sector as we have looked to plug the gap left by the closedown of BB and hotel accommodation. Little or no extra funding has come into the council for these services and as such the service remains stretched. Sadly, we have had three Rough sleeper deaths during the pandemic. This is obviously a tragedy.

- Housing Administration

A number of staff left City Hall initially, the reaming followed the lockdown all of the staff continue to work from home. All It systems have been running throughout, creditor payments have been kept up to date and staff have also been engaged in the community support service and the befriending helpline. Unfortunately, the whole of the housing admin area and some parts of Tenancy services were flooded as a result of a leak at CH in the first week of lockdown. Admin staff managed this incident and coordinated the refurbishment and rectification.

3.3 Housing Investment and Strategy

- Housing strategy

The team initially worked from home; the Sincil Bank community hub was closed (although this was not entirely due to C19). One key member of staff was seconded over to work with Simon Walters on creating the befriending service and the community support group, this was then increased to two when the service grew. Unfortunately, the active sites at Markham House and De Wint Court were locked down by the contractors and so progress was initially stalled. The Rookery Lane development has also slowed, site surveys have continued but at a slower pace. The back ground work on QER has continued and a new master plan for the site is in draft format, the demolition of the blocks adjacent to the QER site was initially stalled as was the demolition on Trelawny Church. The project to buy back Council property across the city to support our housing stock has continued with great success. The development of the refreshed housing strategy has continued but been hampered by staff availability and the pausing of the stock survey work. LTP support has continued remotely, regular updates have been provided to the chair. The LTP communication channels have been used extremely effectively throughout.

- Safety Assurance Team

The team have continued to work flexibly from HH or remotely throughout the process and provided valuable support to the corporate process of creating Health and Safety risk assessments reflecting the changing dynamic of the situation. Invaluable support and work has been done in interpreting gov't guidelines, which are constantly changing, and ensuring work spaces and working practices are safe. The team took over the role of managing the PPE stock and deployment for the whole council. The team have continued to provide both the Asbestos support and fire safety support to housing.

4. Current Position

4.1 Housing Investment and Repairs Service:-

- Investment

Staff have continued to work from home, where possible. A number have returned to HH but this is not being encouraged. RA's have been produced for HH and for the new work streams, with individual RA's produced for staff where required. A number of staff were placed on furlough. Work has begun to mobilise various work streams again, with the team finding ways to do key pieces of work such as gas safety checks, safely and within the guidelines. We have worked with contractor partners to ensure their RAMS are in place and safe systems of work are used. The major programmes of work remain restricted by supply chain issues and restrictive working practices. Costs will be differed to mirror programme changes. We still face issues with customers not wanting improvement work or are unable to have operatives in their homes during the pandemic. This situation is gradually easing. Pre-inspection work has recommenced using social distancing guidelines. We are now being mindful about the situation our partners are in as we see the economy downturn.

- Housing Repairs Service

Staff that can return to the work place have, individual RA's have been done where necessary. A number of staff have been furloughed and remain on furlough presently. A new suite of RAMS has been developed to include the guidance on returning to the work place and the unions have been consulted on these. HH has reopened to a degree although staff have staggered arrival and leaving times. TP have continued to operate with only one member of HRS staff allowed in the stores at one time to enforce social distancing. We have a one-way system in place at HH and an enhanced cleaning regime has been enforced. We are also closely monitoring staff numbers in the HH. When carrying out repairs within voids, operatives are only working in pairs, but this may move to three operatives per void split over two floors. Routine repairs are now being recorded when reported and we are now in a position to trail the new scheduled repairs programme. Other works that can be done safely, for example fencing, are now starting to be undertaken again. Any surplus labour will be used in the voids process. We still have supply chain issues and there are acute shortages of some items such as Plaster.

4.2 Housing Management:-

- Tenancy Services

Staff remain largely working from home. Home visits are not taking place, tenant support is delivered over the phone. As lockdown has eased, expectations of the service have grown. We are restricted in aspects of dealing with ASB, particularly noise monitoring as the PSH team are still not fitting equipment into people's homes. We have concerns about a growing number of tenant accounts, and we are shortly moving toward gearing up enforcement action again as the courts begin to reopen and hear cases. We continue to distribute funding from the Hardship Fund, however recent estimates are pointing to arrears pushing up to over £1m and the collection rate has now dropped below 90%. We have currently paused the hardship fund thinking that the reminder of the fund may need to be diverted to other schemes and initiatives as the environment changes. The moratorium on landlord evictions comes to an end on 24th August. The position is kept under constant review. People are still reluctant to move so the number of vacant properties coming the system has dropped to a trickle, this has an impact across the department.

- Elderly Services

  We remain extremely careful with our supported housing service. Communal areas remain closed, but residents are now able to get out and about more and can be visited by family. We are still managing new tenancies very carefully and are dealing with allocations in the centres on a case by case basis. The enhanced cleaning regimen remains although this has been slightly hampered by the furloughing of a number of staff. It is pleasing to say that at this point we have had no confirmed cases of C19 in centres. LINCARE remains operating normally, they have now taken on all of the befriending calls for Housing tenants.

- Voids

  Surplus labour is still being allocated to the voids process. We are having a number issues with the voids contractor performance which may mean a different approach in the coming weeks and months. We now monitor numbers in detail on a weekly basis. Unfortunately, as previously stated, the number of keys being handed week on week has dropped dramatically. For example, last week only four sets were returned so we are not getting the property flow that we would normally expect, however the buyback programme remains successful; although, these properties tend to need more work to bring them up to letting standard.

- Housing Solutions

  Staff remain working from home. We are still allocating properties to emergency cases and homeless families and individuals. As above the number of new lets coming through the system are extremely limited and this continues to cause an issue with customer expectations. Allocations have been made to the new properties we have taken at Riseholme Road and those from developers where we have taken the allocation rights.

- Homelessness and Rough Sleeping

  This service remains under great pressure. Numbers of people being presented as needing emergency support have grown exponentially. Two weeks ago we had 14 referrals in one day, which is more than we would ordinarily expect in a week. The lack of wrap around support and care and the continuation of no face to face support from Housing related support providers has left our staff in a very difficult position.

No additional funding has been received to help manage the pressure, although MHCLG have released details of funding that can be bid for to provide new move on accommodation (£433m over four years) and an additional £105m for additional support costs following the Everyone In campaign. The latter is to cover additional revenue costs but is only available until the end of this financial year. The team intend to put forward expressions of interest to both funds.

- Housing Administration

Staff were possible remain working from home. Work has restarted on some key projects for example replacement IT systems.

4.3 Housing Investment and Strategy

- Housing Strategy

The team have continued to work from home, one member of staff remains seconded to work with DCE. A number of the team were initially furloughed, although the majority came back on a part time basis w/c 6th July. Sincil Bank community hub remains closed (some alterations to the building are planned to improve staff security). Property purchases are continuing using right to buy receipts. Although the government announced an extension to the rules on spending timetables for a 6 month period, however the team have been successful in identifying enough properties to ensure that RTB receipts have not been returned so far this financial year. The Markham House and De Wint Court sites are back in operation, although there are some restrictions due to the adoption of C19 working practices that will no doubt slow progress. The Rookery Lane development site surveys have restarted, and we await the results. The work on QER has continued and demolition of the blocks adjacent to the site are complete. The demolition of Trelawny Church is still paused due to nesting birds. LTP support has continued remotely. The lead officer has now returned from furlough, so we hope to get meetings up and running again as soon as possible, although these will be carried out remotely where possible.

- Safety Assurance Team

The team continued to work from home and from HH. They continue to support HRS in making sure RAMS are up to date and reflect current guidelines. They have made the requisite alterations to HH, again in line with guidelines, which has enabled the building to be gradually opened up. The team remain the hub for PPE across the council. The team have progressed the Asbestos database cleansing and this has been reported at 75% complete. The team continues to support housing in its programme of fire safety improvements in our tower blocks, working closely with Lincolnshire Fire & Rescue.

5. Recommendation

5.1 Housing Scrutiny Sub Committee is asked to:

a) Note the responses to the COVID 19 crisis and the ongoing situation of Housing Services.

Is this a key decision?	No
Do the exempt information categories apply?	No
Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?	No
How many appendices does the report contain?	None
List of Background Papers:	None

Item No. 5

HOUSING SCRUTINY SUB COMMITTEE **20 JULY 2020**

SUBJECT:	**HOUSING FINANCE**
REPORT BY:	**FINANCIAL SERVICES**
LEAD OFFICER:	**COLLEEN WARREN, FINANCIAL SERVICES MANAGER**

1. Purpose of Report

1.1 To present to the Housing Sub Committee the Council's Housing out-turn position for 2019/20.

2. Summary

2.1 This report will provide members with the provisional summary of actual income and expenditure compared to revised budget for the HRA and HRS services and shows how any surpluses have been allocated to reserves.

2.2 The full out-turn report for the Authority has been presented to Performance and Scrutiny Committee on 9 July 2020.

3. Housing Revenue Account

3.1 For 2019/20 the Council's Housing Revenue Account (HRA) net revenue budget was set at £52,040, resulting in an estimated level of general balances at the year-end of £1,078,609.

3.2 The financial performance quarterly monitoring report for the 3rd quarter predicted an underspend of £79,582. The provisional outturn for 2019/20 now indicates an overspend of £71,514. This would result in HRA balances at 31 March 2020 of £1,007,095.

3.3 The out-turn summary is set out in the table below:

HRA PROVISIONAL OUTTURN - 2019/20				
		Revised Budget £'000	**Outturn £'000**	**Variance £'000**
Gross Rental Income	A	(28,221)	(28,190)	31
Charges for Services & Facilities	B	(322)	(292)	30
Contribution towards Expenditure	C	(50)	(59)	(9)
Repairs & Maintenance	D	8,660	8680	20
Supervision & Management:	E	7,148	7,125	(24)
S&M IAS19 Pension Adjustment	F	0	0	0
Rents, Rates and Other Premises	G	95	189	94
Increase in Bad Debt Provisions	H	288	285	(2)
Contingencies	I	255	134	(121)
Depreciation	J	6,262	6,646	383
Impairments	K	0	0	0
Debt Management Expenses	L	12	8	(4)
Net Cost of Service		**(5,873)**	**(5,574)**	**398**
Loan Charges Interest	M	2,352	2,424	72
Investment/Mortgage Interest	N	(37)	(77)	(40)
Net Operating Inc/Exp		**(3,557)**	**(3,127)**	**430**
Capital Accounting Adjustments	O			
Major Repairs Reserve Adjustment	P	4,077	3,637	(441)
HRS Repatriation				
- Trading (Surplus) Deficit	Q	0	(72)	(72)
- IAS19 only	R	0	0	0
Pension Reserve	S	0	0	0
Transfers to/from reserves	T	(572)	(417)	155
(Surplus)/Deficit in Year	U	**(52)**	**20**	**72**
Balances b/f @ 1st April		**(1,027)**	**(1,027)**	**0**
(Increase)/Decrease in Balances		(52)	20	72
Balances c/f @ 31st March		**(1,079)**	**(1,007)**	**72**

4. Housing Repairs Service

4.1 For 2019/20 the Council's Housing Repairs Service (HRS) net revenue budget was set at zero, reflecting its full cost recovery nature.

4.2 The financial performance quarterly monitoring report for the 3rd quarter predicted a £117,075 surplus outturn for 2019/20. The provisional outturn for 2019/20 shows a trading surplus of £72,487. The surplus of £72,487 has been repatriated to the HRA, which is the major service user. This is reflected in the HRA outturn within this report.

4.3 The out-turn summary is set out in the table below:

	Revised Budget £'000	Outturn £'000	Variance £'000
Employees	2,928	2,968	40
Premises	40	64	24
Transport	864	818	(46)
Materials	1,393	1,327	(67)
Sub-Contractors	2,273	2,311	38
Supplies & Services	134	222	88
Central Support Costs	(80)	(48)	32
Capital Charges	0		
Total Expenditure	**7,552**	**7,662**	**109**
Income	(7,552)	(7,734)	(182)
(Surplus)/Deficit	**0**	**(72)**	**(72)**

5. Resource Implications

5.1 The financial implications are contained within the report.

5.2 There are no legal implications arising from this report.

6. Recommendations

6.1 That the Housing Sub Committee review and note the provisional out-turn position for HRA and HRS for 2019/20.

Is this a key decision?	No
Do the exempt information categories apply?	No
Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?	No
Does this report contain appendices?	No
List of Background Papers:	None
Lead Officer:	Colleen Warren, Financial Services Manager Telephone (01522) 873361

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Statement of Accounts has been prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the Accounts and Audit Regulations 2015.

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

2. Accruals of Income and Expenditure

The revenue accounts of the Council are maintained on an accruals basis meaning that 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 or services is recognised in accordance with the terms and conditions of the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are 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.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature within three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

4. 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 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.

5. Charges to Revenue for Non-Current Assets

Service revenue accounts, central support services and trading accounts are charged with the following amounts to reflect the cost of holding non-current assets during the year:

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. This is referred to as the Minimum Revenue Provision (MRP) and Voluntary Revenue Provision (VRP). The Council's policy on MRP is approved by Council in March each year as part of the Treasury Management Strategy. Depreciation, revaluation and impairment losses and amortisation are replaced by the MRP and VRP, by way of an adjusting transaction between the Capital Adjustment Account and the General Fund Balance in the Movement in Reserves Statement, for the differences between the two.

6. Council Tax and Non-Domestic Rates

The Council (as the billing authority) acts as an agent, collecting council tax and non-domestic rates (NDR) on behalf of Lincolnshire County Council and Lincolnshire Police (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, all share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

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

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

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

7. Employee Benefits

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 (e.g. cars) 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 time off in lieu, earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which employees take the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

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

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

Post-Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Lincolnshire County Council. 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 fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the protected 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 forecasts of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate determined by the pension scheme actuary (based on the yield of UK Government Bonds plus a 'credit spread' allowance to reflect the extra risk involved in using AA corporate bond yields).

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

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value.

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

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

- Past service cost – the increase in liabilities 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 cost on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Re-measurements comprising:

  - the return on plan assets – excluding amounts included in net interest on the 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 Local Government 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 Pension 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 decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

8. Events After the Balance Sheet Date

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

9. Financial Instruments

Financial Liabilities

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

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable, with accrued interest due within one year shown under short term borrowings; and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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 gain or loss over the unexpired life of the original loan. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge 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.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and carried 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 financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable, with interest receivable within one year shown under short term investments and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, occasionally the Council may make loans to other parties (e.g. voluntary organisations) at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement 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, 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 the Reserves Statement.
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.

Expected Credit Loss Model

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

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

The Council has a number of loans to local organisations. It may not have reasonable and verifiable information to support the measurement of lifetime losses on individual loans without undue cost or effort to support the measurement of lifetime expected losses. It has therefore assessed losses for the portfolio on a collective basis.

The Council has grouped the loans into four groups for assessing loss allowances:

- Group 1 – Commercial investments in line with treasury management policy including counterparties that have external credit ratings of A or better. Loss allowances will be assessed on a group basis using the simplified approach of collective assessment.
- Group 2 – Loans to related parties. Loss allowances for these loans are assessed on an individual basis and / or an individual borrower basis.
- Group 3 – Money Market funds. Loss allowance will be assessed on market value of the investment in the fund.

Financial Assets measured at fair Value through Profit and Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices in active markets for identical assets – the market price

- Other instruments with fixed and determinable payments in active markets for identical assets – discounted cash flow analysis

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

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Authority can access at the measurement date.

- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

- Level 3 inputs – unobservable inputs for the asset.

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

10. Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where material amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses, if material, are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

11. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset 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 conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance 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.

Business Improvement Districts

A Business Improvement District (BID) scheme applies across the whole of the Council. The scheme is funded by BID levy paid by non-domestic ratepayers. The Council acts as a principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable development for the Authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure, however a proportion of the charges may be used to fund revenue expenditure

12. Intangible Assets

Intangible assets are assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences). Expenditure on intangible assets is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council for a period of more than one year.

Internally generated intangible assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed 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 the Council's website is not capitalised as the website is primarily intended to promote or advertise the Council's services.

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets 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.
Intangible assets are amortised over their useful life and charged to the relevant service lines in the Comprehensive Income and Expenditure. 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.

13. Interests in Companies and other Entities

Councils are required to produce Group Accounts to include services offered to Council Tax payers by organisations other than the Council itself but in which the Council has an interest. There are a number of criteria set out by which the Council must determine whether the value of the company and the Council's interest is significant enough for Group Accounts to be produced. The Council has complied with the Code of Practice on Local Authority Accounting, and while it has identified a company over which it has joint control, it has concluded that the company does not meet the criteria that would require consolidation into the Council's accounts on materiality grounds.

14. 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 either the FIFO or weighted average costing formula.

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

15. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset. Investment properties are not depreciated but are re-valued annually according to market conditions to ensure that they are held at the highest and best use value on the Balance Sheet date. 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 and Expenditure 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.

16. 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 Council 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 Council 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.

17. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

- A financing charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution (Voluntary Revenue Provision - VRP) is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by the VRP in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefiting from use of the leased asset. Charges are made on a straight-line basis over the term of the lease, even if this doesn't match the pattern of payments.

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 is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain and 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 (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a long-term lease debtor 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 Receipt Reserve in the Movement in Reserves Statement. Where the amount due in relation to the leased 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 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 Reserve 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. 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.

18. Overheads and Support Services

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

19. Non-Current Assets – Property, Plant and Equipment

Assets that have physical substance and are held for use in the supply of 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 or 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 initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

The cost of assets acquired other than by purchase is deemed to be its current 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:

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

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

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

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. However, in exceptional circumstances, gains may be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to services.

When decreases in value are identified, they are accounted for as follows:

- 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 lines 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.

<u>Impairment</u>

Assets are reviewed at each year-end for evidence of reductions in value i.e. impairment. Where impairment is identified, 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.

When impairment losses are identified, they are accounted for as follows:

- Where there is a balance in the 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 in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

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

Depreciation is calculated on the following bases:

- Dwellings and Other buildings – straight-line allocation over the useful life of the property as estimated by the Valuer
- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life of each class of asset

Where an item of property, plant or equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

In relation to Council Dwellings, depreciation is based on the Existing Use Social Housing Value (EU-SHV) on the components, deemed to be land and buildings.

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

20. Heritage Assets

The Council holds a number of Heritage Assets, which can be grouped into the following categories:

- Civic Insignia
- Art and Sculptures
- Musical Instruments
- Vehicles

- Ancient Monuments and War Memorials
- Miscellaneous

These are not held in a single collection but in a number of appropriate locations, where they are considered to contribute to 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.

- **Civic Insignia**

  The collection of civic insignia includes the Mayor's and Sheriff's badges and chains of office, mace and ceremonial swords. These items are reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are subject to periodic reviews by a specialist valuer. The civic insignia are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

- **Art and Sculptures**

  This category includes paintings and a number of public art works such as statues and sculptures. Where a valuation is available e.g. an insurance valuation, the asset is reported in the balance sheet at this valuation. However, for a number of public art sculptures and statues, no cost or valuation information is available and consequently, these assets are not recognised in the balance sheet. Where artworks are recognised, they are deemed to have indeterminate lives and the Council does not consider it appropriate to charge depreciation.

- **Musical Instruments**

  The Council holds a Steinway grand piano at the Drill Hall and a Stradivarius violin, which is on loan to the Halle orchestra. These items are reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are subject to periodic reviews by a specialist valuer. The instruments are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

- **Vehicles**

  The Council holds one diesel locomotive as a heritage asset. This is reported in the Balance Sheet at insurance valuation which is based on market values. The insurance valuations are subject to periodic reviews by a specialist valuer. The vehicle is deemed to have indeterminate life as it is not in operation but is on display; hence the Council does not consider it appropriate to charge depreciation.

- **Ancient Monuments and War Memorials**

  This category includes various roman ruins and ancient structures and four war memorials. The Council does not consider that reliable cost or valuation information can be obtained for the items in this category. This is because of the nature of the assets held and the lack of market values. Consequently, these assets are not recognised in the Balance Sheet.

- **Miscellaneous**

  This category includes any other assets which are being held for their contribution to knowledge and culture but do not readily fall into the above categories. One example is the collection of Books of Remembrance held at the City crematorium. These items are reported in the Balance Sheet at either cost or insurance valuation where material. No depreciation is charged on these assets.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment 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 accounting policies on impairment. The Council may occasionally dispose of heritage assets which are unsuitable for public display or to an appropriate body which will ensure the asset is maintained and displayed within a suitable collection e.g. to a museum or historical trust. The proceeds of such items are accounted for in accordance with the Council's accounting policy on 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.

21. 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 re-valued 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 previously recognised losses in the Surplus and 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 (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from the disposal (if any) are credited to the same line in the Comprehensive Income and

Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are transferred to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

22. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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 not 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 the reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

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

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

Contingent Assets

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

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

23. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance 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, and retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

24. Revenue Expenditure Funded from Capital under Statute

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

25. VAT

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

26. Fair Value

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

- In the principal market for the asset or liability or

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

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing an asset or liability (assuming they were acting in their economic best interest).

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

The Council uses appropriate valuation techniques, which takes into account the three levels of inputs to valuations for fair value assets:

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