

# NORTH EAST LINCOLNSHIRE COUNCIL

## STATEMENT OF ACCOUNTS 2015/16

# CONTENTS

	Page
<b>Narrative Statement</b>	
An introduction to the financial statements that explains the development and performance of the authority in the financial year and its position at the end of the year	2
<b>Auditor's Report</b>	
The independent auditor's report and opinion on the financial statements and the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.	6
<b>STATEMENT OF ACCOUNTS</b>	
<b>Statement of Responsibilities</b>	7
Sets out the respective responsibilities of the Council and the Chief Finance Officer in respect of the Statement of Accounts.	
<b>Core Accounting Statements:</b>	8
<ul style="list-style-type: none"><li>- Comprehensive Income and Expenditure Statement</li><li>- Movement in Reserves Statement</li><li>- Balance Sheet</li><li>- Cash Flow Statement</li><li>- Notes to the Accounts</li></ul>	
<b>Supplementary Accounting Statements:</b>	58
<ul style="list-style-type: none"><li>- Collection Fund</li></ul>	
<b>Annual Governance Statement (required to accompany the annual accounts)</b>	
This statement reports on the outcome of the review of the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded.	61
<b>Glossary</b>	65

# Narrative Statement

## Overview

2015/16 has been a challenging financial year for the Council with continued uncertainty within both the public sector and wider economy. The Council has faced rising demand in a number of service areas at the same time as having to deliver a wide ranging efficiency programme. However, through effective budget management and monitoring, and addressing ongoing pressures in relation to business rates receipts, the Council has reported an overall balanced financial position at year end. The table below summarises the Council's financial performance against its approved budget.

	Budget £M	Actual £M	Variance £M
<b>Chief Executive</b>			
<b>Finance</b>	4.30	4.57	0.25
<b>Economy &amp; Growth</b>	17.40	17.81	0.41
<b>Public Health</b>	0.58	0.58	0.00
<b>Joint Delivery</b>	3.76	4.26	0.50
<b>Governance &amp; Democracy</b>	1.85	1.65	-0.20
<b>Law</b>	0.30	0.45	0.15
<b>Deputy Chief Executive</b>			
<b>Environment</b>	11.22	11.69	0.48
<b>Early Intervention</b>	12.22	12.33	0.11
<b>Children's Services</b>	39.88	40.34	0.46
<b>Adult Services</b>	42.46	42.40	-0.06
<b>Services Total</b>	<b>133.97</b>	<b>136.08</b>	<b>2.11</b>
<b>Other Budgets</b>	5.46	3.05	-2.41
<b>Total Council Spend</b>	<b>139.43</b>	<b>139.13</b>	<b>-0.30</b>
<b>Earmarked Reserves</b>	-9.28	-9.28	0.00
<b>School Balances</b>	-8.82	-8.82	0.00
<b>Total</b>	<b>121.33</b>	<b>121.03</b>	<b>-0.30</b>
<b>Funding</b>	-124.77	-124.47	0.30
<b>Net</b>	<b>-3.44</b>	<b>-3.44</b>	<b>0.00</b>

Whilst overspends have been reported within some service areas due to demand and one off cost pressures, these have been offset by underspends on other budgets and reduced borrowing costs during the year.

The focus remains on ensuring the financial standing of the Council remains intact to ensure we are well placed to deal with what will be even greater challenges ahead. These challenges include an expected further 23% reduction in grant funding over the next four years, a move to 100% retention of business rates and new legislation which will place additional responsibilities on local government organisations. It is expected that the Council will need to make further efficiency savings of around £19 Million by 2019/20.

## Statement of accounts

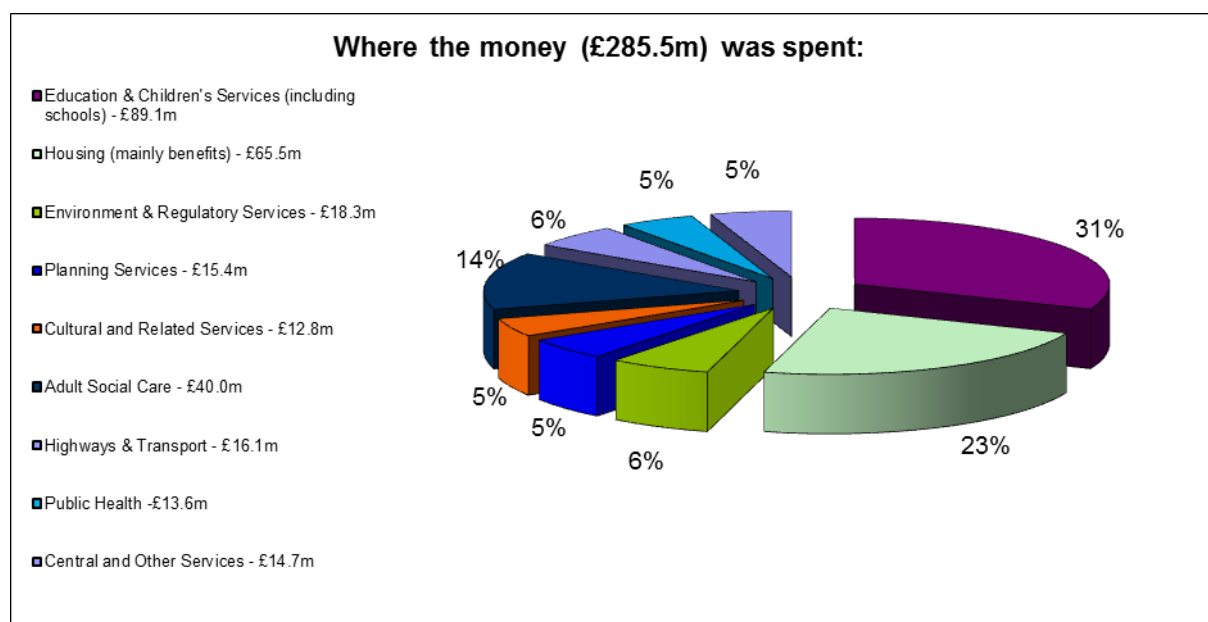
The Statement of Accounts summarise the Council's financial performance during the 2015/16 financial year and its financial position as at 31 March 2016. The accounting statements comprise:

- Comprehensive Income and Expenditure Statement – a summary of the resources generated and used over the year.
- Movement in Reserves Statement – the in-year movement in reserves held
- Balance Sheet – a summary of assets, liabilities and reserves held at the year end
- Cash Flow Statement – the inflow and outflow of cash during the year
- Collection Fund – the level of non-domestic rates and council tax that has been received during the year and the distribution of these funds.

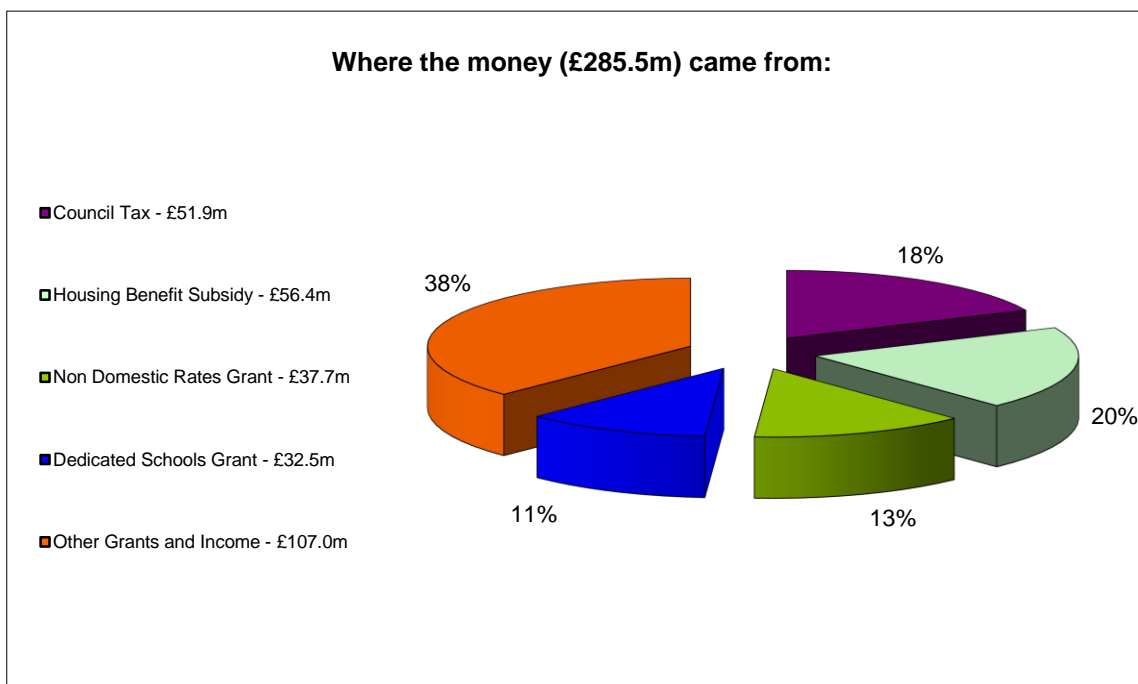
In 2014/15 the Council produced group accounts which incorporated the activities of Lincs Inspire Limited, a wholly owned subsidiary of the Council established to provide leisure and cultural services. Following the transition of the Company to an independent not-for-profit organisation in April 2015, the need to produce group accounts ceased.

## Income and expenditure

The Council spent a total of £285.5 Million providing services to the local population during the year. Expenditure is incurred across a diverse range of services with education and children's services and housing benefits being the most significant. An analysis of where the money was spent is detailed in the chart below.



The Council's spending was financed through a combination of local taxation (council tax and business rates), grants and fees and charges. An analysis of where the money came from is detailed in the chart below.



## Review of the Council's Financial Position

The overall financial position of the Council remains stable despite the significant funding reductions experienced over the past six years. Clearly the result of the recent referendum on the UK's membership of the European Union will lead to a period of significant uncertainty within the national economy. It is not possible to assess the impact on the Council's financial position at this stage although it will potentially impact on a number of areas including asset valuations and pension liabilities.

The Council has reported an improvement of £30.2 Million in its overall net worth during the year with total net assets of £4.8 Million reported at year end. This improvement can be largely explained by a positive movement in the Council's overall pension liability. The pension liability of £176 Million on the Balance Sheet is an estimate of the current value of pension benefits that need to be funded by the Council. The liability, as assessed by an independent actuary, showed a positive movement of £29.6 Million during the year. The figure represents an estimate of the value of scheme assets and liabilities at a point in time. Whilst there is no direct link to funding or contribution rates, a triennial valuation of the pension fund is due in 2016/17 and this will inform future contribution rates payable.

The value of Property, Plant and Equipment increased during the year by £9.84 Million due to a combination of in year capital spending and upward revaluations of asset values. This increase is net of depreciation of assets and the disposal of three schools which converted to academy status.

The Council has largely avoided the need to borrow during the year. The exception being a loan of £6.9 Million in relation to the Cartergate Project with repayment terms closely aligned to the cash flow of the development to minimise risk. In addition, £10 Million of short-term borrowing was repaid in the period without the need for replacement. As at year end, the Council had £94.5 Million of external borrowing and held £14.2 Million of cash and investments. In terms of working capital, overall Council managed debt has decreased over the previous year and we have also seen a reduction in short term creditors. This is partly due to an improvement in the percentage of creditor invoices paid within 30 days.

The Council is experiencing ongoing pressures and uncertainty in relation to business rates which are being negatively affected by valuations and appeals. As a consequence the Council continues to hold a provision in its accounts based upon the level of appeals received from businesses, the likelihood of success and potential write offs. The value of this provision reported within the balance sheet is £8.1 Million and is subject to regular review

## Reserves and balances

General fund reserves, set aside to deal with any unforeseen events, stood at £8.3 Million at the end of the 2015/16 financial year. This is in line with the Council's approved financial strategy and considered to be a prudent level given the level of risk to which the Council is currently exposed.

Earmarked reserves have reduced by £6.5 Million to £37.2 million and are set to reduce further in 2016/17 to support priorities and organisational change. A revised approach to the utilisation and carry forward of earmarked reserves, with particular focus on those areas not spending in line with planned drawdown, has been developed in 2015/16.

## Capital programme and borrowing

The Council delivered 90% of its approved capital programme during 2015/16 which is in line with the previous financial year. Where underspends against allocations have been reported these have been challenged to ensure spending is necessary and in accordance with corporate priorities. It is acknowledged there may need to be greater flexibility in the capital programme in future to support the economic regeneration ambitions of the Borough.

The Council continues to fund its capital programme through a mix of borrowing, capital receipts, grants and other external contributions. Funding for capital projects is integrated into financial planning processes and aligned to the delivery of the Council's strategic priorities. With limited capital resources available, the programme focuses on building infrastructure, supporting economic growth, the increasing use of information technology and recognising the Council's statutory responsibility for school places.

The Council's current strategy is to use cash balances to fund the capital programme where possible. This approach, referred to as internal borrowing, minimises the cost of borrowing and reduces credit risk on investments. A minimum investment balance of £11 Million is held to ensure immediate cash needs of the Council are always covered.

The Council has operated within its prudential borrowing limit during the year and no problems are anticipated for future years at this stage. Net financing costs are projected to be £10.7 Million in 2016/17 or 9.0% of net revenue budget. Borrowing costs are forecast to increase slightly to £11.5 Million or 10.1% of net revenue budget by 2019/20.

## Future outlook

The Council has a clear financial strategy which focusses on long term financial sustainability and resilience. The strategy is focused on supporting delivery of the Council's key priorities; Stronger Economy and Stronger Communities. Specifically, financial planning reflects both the risks and opportunities presented by embracing and maximising the area's economic potential. It is acknowledged that, with increasingly less reliance on Government funding, financial sustainability will only be achieved through a commissioning approach underpinned by an outcome based framework. This approach will address future funding pressures through reshaping and redefining service delivery.

Proposed changes to the system of business rates, devolution proposals and further service integration will bring both risks and opportunities to the Council. It will be essential that the Council maintains its focus on its key priorities during this period in order to protect its overall financial standing.



**Sharon Wroot**  
**Director of Finance**  
**30<sup>th</sup> June 2016**

Copies of this and previous years' accounts are available for viewing on the Council's website at [www.nelincs.gov.uk](http://www.nelincs.gov.uk) or from the Chief Finance Officer, North East Lincolnshire Council, Municipal Offices, Town Hall Square, Grimsby DN31 1HU

## **Independent auditor's report to the members of North East Lincolnshire Council**

We have audited the financial statements of North East Lincolnshire Council for the year ended 31 March 2016 on pages 8 to 61. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

### **Respective responsibilities of the Chief Finance Officer and auditor**

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2016 and of the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

### **Matters on which we are required to report by exception**

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

- the Annual Governance Statement set out on pages 62 to 65 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or

- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

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

### **Authority's responsibilities**

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

### **Auditor's responsibilities**

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the C&AG in November 2015, as to whether North East Lincolnshire Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether North East Lincolnshire Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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



## **Conclusion**

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, North East Lincolnshire Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

## **Certificate**

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

**John Graham Prentice FCCA MBA**

**For and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

1 Sovereign Square  
Sovereign Street  
Leeds  
LS1 4DA

19 September 2016

# STATEMENT OF RESPONSIBILITIES

## The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Chief Finance Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts by the 30 September 2016.

## Council Approval



**Tim Render**

**Independent Chair of Audit Committee and Governance Committee**  
**25 August 2016**

## The Chief Finance Officer's Responsibilities

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

In preparing this Statement of Accounts, the Chief Finance Officer has:

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

The Chief Finance Officer has also:

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

## Chief Finance Officer Certification

I hereby certify that the following Statement of Accounts presents a true and fair view of the financial position, financial performance and cash flows of North East Lincolnshire Council for the period ending 31 March 2016.



**Sharon Wroot**  
**Director of Finance**  
**30<sup>th</sup> June 2016**

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations, which may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2014/15			2015/16		
Gross Spend £'000	Gross Income £'000	Net Spend £'000	Gross Spend £'000	Gross Income £'000	Net Spend £'000
<b>Cost of Services</b>					
5,322	(3,902)	1,420	4,283	(2,472)	1,811
13,088	(1,815)	11,273	12,843	(1,313)	11,530
18,263	(4,336)	13,927	18,283	(7,158)	11,125
26,664	(21,952)	4,712	15,388	(10,137)	5,251
100,341	(62,435)	37,906	89,080	(48,768)	40,312
16,486	(4,420)	12,066	16,057	(3,834)	12,223
67,496	(60,703)	6,793	65,524	(59,245)	6,279
49,270	(5,001)	44,269	40,010	(2,255)	37,755
3,433	(1,124)	2,309	4,976	(2,315)	2,661
11,497	(7,884)	3,613	13,645	(12,226)	1,419
6,759	(5,162)	1,597	5,419	(6,892)	(1,473)
<b>318,619</b>	<b>(178,734)</b>	<b>139,885</b>	<b>285,508</b>	<b>(156,615)</b>	<b>128,893</b>
<b>Sub-total: Net Cost of Services</b>					
<b>Other Operating Expenditure</b>					
	18,033				9,918
	(30)				4
	741				714
	4				-
<b>Financing and Investment Income and Expenditure</b>					
	3,909				3,981
	(217)				(124)
	(1,395)				1,018
	21,055				17,581
	(13,741)				(11,312)
	<b>168,244</b>				<b>150,673</b>
<b>Sub-total: Net Operating Expenditure</b>					
<b>Income from Taxation and Non Specific Grant</b>					
	(50,510)				(51,905)
	(45,426)				(33,706)
	(9,276)				(10,037)
	(33,566)				(37,694)
	<b>29,466</b>				<b>17,331</b>
<b>Total: (Surplus)/Deficit on Provision of Services</b>					
<b>Other Comprehensive Income and Expenditure</b>					
	(306)				(17,920)
	1,103				848
	22,663				(30,483)
	<b>52,926</b>				<b>(30,224)</b>
<b>Total: Comprehensive Income and Expenditure</b>					

## MOVEMENT IN RESERVES STATEMENT

	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2014</b>	<b>(16,834)</b>	<b>(46,566)</b>	<b>(71)</b>	<b>(541)</b>	<b>(64,012)</b>	<b>36,447</b>	<b>(27,565)</b>
<b>Movement in reserves during 2014/15</b>							
(Surplus) or deficit in the provision of services	29,466	0	0	0	29,466	0	<b>29,466</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	23,460	<b>23,460</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>29,466</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>29,466</b>	<b>23,460</b>	<b>52,926</b>
Adjustments between accounting basis and funding basis under regulations (note 9)	(28,331)	0	(99)	(230)	<b>(28,660)</b>	28,660	<b>0</b>
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>1,135</b>	<b>0</b>	<b>(99)</b>	<b>(230)</b>	<b>806</b>	<b>52,120</b>	<b>52,926</b>
<b>Transfers to and from Earmarked Reserves (note 27)</b>	<b>(2,924)</b>	<b>2,924</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>(Increase)/Decrease in 2014/15</b>	<b>(1,789)</b>	<b>2,924</b>	<b>(99)</b>	<b>(230)</b>	<b>806</b>	<b>52,120</b>	<b>52,926</b>
<b>Balance at 31 March 2015 Carried Forward</b>	<b>(18,621)</b>	<b>(43,641)</b>	<b>(170)</b>	<b>(771)</b>	<b>(63,203)</b>	<b>88,566</b>	<b>25,363</b>
<b>Movement in reserves during 2015/16</b>							
(Surplus) or deficit in the provision of services	17,331	0	0	0	17,331	0	<b>17,331</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	(47,554)	<b>(47,554)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>17,331</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17,331</b>	<b>(47,554)</b>	<b>(30,223)</b>
Adjustments between accounting basis and funding basis under regulations (note 9)	(7,878)	0	157	(84)	<b>(7,805)</b>	7,805	<b>0</b>
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>9,453</b>	<b>0</b>	<b>157</b>	<b>(84)</b>	<b>9,526</b>	<b>(39,749)</b>	<b>(30,223)</b>
<b>Transfers to and from Earmarked Reserves (note 27)</b>	<b>(6,458)</b>	<b>6,458</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>(Increase)/Decrease in 2015/16</b>	<b>2,995</b>	<b>6,458</b>	<b>157</b>	<b>(84)</b>	<b>9,526</b>	<b>(39,749)</b>	<b>(30,223)</b>
<b>Balance at 31 March 2016 Carried Forward</b>	<b>(15,626)</b>	<b>(37,183)</b>	<b>(13)</b>	<b>(855)</b>	<b>(53,677)</b>	<b>48,817</b>	<b>(4,860)</b>

# BALANCE SHEET

31 March 2015 £'000		Notes	31 March 2016 £'000	£'000
	<b>Long-term Assets</b>			
2,312	Intangible Assets	13	1,737	
47,221	Investment Properties	13	44,631	
991	Heritage Assets	13	991	
	Property, Plant and Equipment			
105,930	Other Land and Buildings	13	113,738	
6,006	Vehicles, Plant and Equipment	13	5,207	
84,848	Infrastructure Assets	13	91,971	
14,626	Community Assets	13	14,692	
5,784	Assets Under Construction	13	4,915	
36	Long-term Investments		0	
2,737	Long-term Debtors	18	3,125	
<b>270,491</b>	<b>Sub total: Long-term Assets</b>			<b>281,007</b>
	<b>Current Assets</b>			
347	Inventories		278	
794	Assets Held for Sale	13	473	
27,685	Short-term Debtors	19	19,812	
13,504	Short-term Investments		5,451	
8,666	Cash and Cash Equivalents	22	8,792	
<b>50,996</b>	<b>Sub total: Current Assets</b>			<b>34,806</b>
	<b>Current Liabilities</b>			
(10,279)	Short-term Borrowing	20	(830)	
(32,258)	Short-term Creditors	23	(27,516)	
(989)	Capital Grants Receipts in Advance	4	(931)	
(1,995)	Short-term Provisions	24	(1,619)	
0	Cash and Cash Equivalents - Bank Overdraft	22	0	
<b>(45,521)</b>	<b>Sub total: Current Liabilities</b>			<b>(30,896)</b>
	<b>Long-term Liabilities</b>			
(88,223)	Long-term Borrowing	20	(94,453)	
(7,103)	Long-term Provisions	24	(9,168)	
(206,003)	Other Long-term Liabilities			
	Pensions Liability	3	(176,436)	
<b>(301,329)</b>	<b>Sub total: Long-term Liabilities</b>			<b>(280,057)</b>
<b>(25,363)</b>	<b>TOTAL NET ASSETS</b>			<b>4,860</b>
	<b>Usable Reserves</b>			
(43,641)	Earmarked Reserves	27	(37,183)	
(18,621)	General Fund Balance	28	(15,626)	
(170)	Capital Receipts Reserve	33	(13)	
(771)	Capital Grants Unapplied		(855)	
<b>(63,203)</b>				<b>(53,677)</b>
	<b>Unusable Reserves</b>			
(35,666)	Revaluation Reserve	34	(46,476)	
(92,303)	Capital Adjustment Account	35	(82,569)	
206,003	Pensions Reserve	25	176,436	
1,716	Accumulated Absences Account		1,484	
8,816	Collection Fund Adjustment Account	36	(58)	
<b>88,566</b>				<b>48,817</b>
<b>25,363</b>	<b>TOTAL RESERVES</b>			<b>(4,860)</b>

I certify that these accounts present a true and fair view of the financial position, financial performance and cash flows of North East Lincolnshire Council for the period ending 31<sup>st</sup> March 2016.

*Sharon Wroot*

**Sharon Wroot**  
**Director of Finance**  
**30<sup>th</sup> June 2016**

## CASH FLOW STATEMENT

2014/15 £'000	Note	2015/16	
		£'000	£'000
(29,466) Net Surplus or (Deficit) on the Provision of Services			(17,330)
47,516 Adjustments to Net Surplus or Deficit on the Provision of Services for non cash movements	42		28,066
(14,432) Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are investing and financing activities	43		(12,976)
<b>3,617 Net Cash Flow from Operating Activities</b>			<b>(2,240)</b>
<b>Investing Activities</b>			
(24,480) Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets		(25,042)	
(13,496) Purchase of Short and Long-term Investments		(5,500)	
(1,510) Other Payments for Investing Activities		(597)	
1,483 Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets		199	
11,413 Capital Grants Received		12,060	
4,545 Proceeds from Short and Long-term Investments		13,588	
553 Other Receipts from Investing Activities		158	
<b>(21,492) Net Cash Flow from Investing Activities</b>			<b>(5,134)</b>
<b>Financing Activities</b>			
(150) Repayment of Amounts Borrowed		(10,183)	
10,012 Cash Receipts of Short and Long-term Borrowing		6,915	
(1,947) Billing Authorities - Council Tax and NNDR Adjustments		10,768	
<b>7,915 Net Cash Flow from Financing Activities</b>			<b>7,500</b>
<b>(9,960) Net Increase/(Decrease) in Cash and Cash Equivalents</b>			<b>126</b>
<b>18,626 Cash and Cash Equivalents at 1 April</b>			<b>8,666</b>
<b>8,666 Cash and Cash Equivalents at 31 March</b>	22		<b>8,792</b>

# NOTES TO THE ACCOUNTS

## 1. Accounting Policies

**i. General Principles** - the Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code), which is based on International Financial Reporting Standards (IFRS), and the Service Reporting Code of Practice 2015/16. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets.

The Accounting Policies outlined are the specific principles, bases, conventions, rules and practices applied in preparing and presenting these financial statements.

**ii. Critical Judgements in Applying Accounting Policies** – In applying these accounting policies the Council has had to make judgements about complex transactions or those involving uncertainty about future events. There are no specific judgements that require disclosure at this point in time although the Council continues to review its plans to manage the high degree of uncertainty about future levels of funding from local government.

**iii. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty** – The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, some may need revision if changes occur in the circumstances on which the estimate was based or as a result of new information or more experience.

**iv. Changes in Accounting Policies, Estimates and Errors** - The Code requires that a change in accounting policy should only be made if the change –

- is required by the Code, or
- will result in the financial statements providing more reliable and relevant financial information about the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Where a change is made, it is applied retrospectively, where material, 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. There were no material errors in the 2014/15 accounts that require correcting in 2015/16.

**v. Accruals of Income and Expenditure** - the accounts of the Council are prepared on an accruals basis. This means that the sums due to or from the Council during the year are included in the accounts, whether or not the cash has actually been received or paid in the year in question. Accruals have been made for all known material debtors and creditors for goods and services supplied both by and to the Council during the year.

Interest payable and receivable is accounted for in the year to which it relates.

**vi. Provisions** - Provisions are required for any liabilities of uncertain timing or amount that arise from past events. Provisions are made where the Council has a financial obligation (either legal or constructive) for which settlement is at least probable and where a reliable estimate can be made of the financial impact of settling that obligation.

Provisions are charged to the appropriate service revenue account in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year.

An allowance is also set aside for Bad and Doubtful Debts - the carrying amount of debtors is adjusted for debts assessed as uncollectable and an impairment charge is made to the relevant service revenue account. The carrying amount of debtors is also adjusted for council tax and non-domestic rates debts that are assessed as uncollectable, and a charge is made to the Collection Fund.

**vii. Reserves** – Reserves are an accumulation of previous years' surpluses, deficits and transfers. The Council has an agreed policy with respect to reserves and sets aside specific amounts for future policy purposes or to cover contingencies.

Transfers in and out of reserves are shown in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate revenue account in that year to score against the Surplus or Deficit in the Provision of Services in the Comprehensive Income and Expenditure Statement. A transfer is then made, through the Movement in Reserves Statement, into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are classed as unusable reserves as they are kept to manage the accounting processes

for non-current assets, financial instruments and retirement benefits and cannot be used to support revenue spending, although an element of the Capital Adjustment Account can be used to repay external loan debt.

Usable reserves are those the Council may use to fund either revenue or capital expenditure as prescribed. The usable reserves held at 31 March 2016 include –

- General Fund
- Earmarked Revenue Reserves
- Capital Receipts Reserve
- Capital Grants Unapplied

Unusable reserves held at 31 March 2016 include –

- Capital Adjustment Account
- Revaluation Reserve
- Pensions Reserve
- Accumulated Absences Account
- Collection Fund Adjustment Account

**viii. Government Grants and Contributions** – under the Code, grants and contributions for capital schemes are recognised as income when they become receivable.

When grant conditions are met, grants relating to the funding of capital expenditure are credited to Taxation and Non-specific Grant Income in the Comprehensive Income and Expenditure Statement. This is then transferred, via the Movement in Reserves Statement, to either the Capital Adjustment Account (CAA) if the grant has been used to finance capital expenditure in the year, or to the Capital Grants Unapplied Account (CGUA) until it is applied. When grant balances held in the CGUA are applied in the year they are transferred directly to the CAA.

Revenue grants, including grants for Revenue Expenditure Funded from Capital Under Statute (REFCUS), are accrued and credited to income within service revenue accounts when the conditions regarding their use are met. Any income credited to service revenue that does not match the expenditure they are intended to fund is, subject to approval, transferred to or from earmarked reserves (or CGUA for REFCUS grants), via the Movement in Reserves Statement. This helps ensure that the grant is properly set aside to finance the services for which it has been provided and budgeted for and prevents unnecessary fluctuations in General Fund balances.

All grants and contributions with conditions attached are held as receipts in advance until such time as the conditions regarding their use are met.

Grants to cover general expenditure, such as Revenue Support Grant, are credited to Taxation and Non Specific Grant Income in the Comprehensive Income and Expenditure Statement.

**ix. Termination Benefits** --Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

**x. Employee Benefits** – Employee benefits are accounted for in accordance with the Code's interpretation of IAS 19 – Employee Benefits. This standard covers both benefits payable during and after employment.



### Benefits Payable During Employment

Liabilities for employees' entitlements to 'shorter term employee benefits' are recognised as an expense in the year in which employees render service to the Council. Short-term employee benefits are employee benefits that are due to be settled within 12 months after the year end in which the employee renders the service. These include

- Wages and salaries, including bonuses
- Short-term compensated absences
- Non-monetary benefits

Compensated absences can be either accumulating or non-accumulating. Accumulating absences are those that are carried forward and can be used in future periods if the current period entitlement is not used in full. This includes carried forward annual leave and flexi time.

These absences are recognised as an expense in the year that the employee accrues the entitlement and are measured as the additional amount that the Council expects to pay as a result of unused entitlement that has accumulated at 31 March 2016. This expense is reversed via a credit transfer from the Accumulated Absences Account to the Movement in Reserves Statement so that it does not result in a charge to council taxpayers in that year and so that these benefits are charged to the General Fund in the year that the absence occurs.

Non accumulating absences are those that cannot be carried forward for use in future periods, such as sick leave and maternity leave. These are recognised when the absence occurs.

The Council does not award long-term employee benefits i.e. those that are not expected to be paid within 12 months of the balance sheet date.

### Post -Employment Benefits

Employees of the Council are generally eligible to be members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The NHS Pension Scheme, administered by the NHS Business Services Authority
- The Local Government Pension Scheme, administered in this area by East Riding of Yorkshire Council.

These schemes provide defined benefits to members (retirement lump sums and pensions), linked to length of service as employees of the Council, including transferred in service for past employers.

However, the arrangements for the Teachers' and NHS schemes mean that liabilities for these benefits cannot be identified to the Council. These schemes are therefore accounted for as if they are a defined contributions scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education and Children's Services line within the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pension Scheme in the year. The Public Health line within the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

### The Local Government Pension Scheme

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

The liabilities of the East Riding Pension Fund Scheme (the Fund) attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on certain assumptions, such as mortality rates, employee turnover rates and projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality (at least AA rated) corporate bonds.

The assets of the Fund attributable to the Council are included in the Balance Sheet at their fair value except for unquoted Private Equity Fund and Private Finance Initiative investments, which are shown at the lower of cost or fair value, which the Pensions Committee considers to be a more prudent measure of valuation.

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

Service Costs:

- (a) current service cost – the increase in liabilities as a result of service earned this year (allocated to the revenue accounts of services for which the employees worked in the Comprehensive Income and Expenditure Statement).
- (b) past service cost - the increase in liabilities arising from current year decisions (changes and Curtailments) whose effect relates to years of service earned in earlier years (debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs).
- (c) gains or losses on non-routine Settlement - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees (debited or credited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs).

Interest Cost:

- (d) Net interest cost – IAS 19 Revised, is the difference between the fair value of plan assets and the defined benefit obligation multiplied by the discount rate used to calculate interest cost (i.e. rate to calculate increase in the present value of liabilities during the year as the benefits are one year closer to being paid). This is charged to the Financing Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Measurement:

- (e) 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 (debited or credited to Other Comprehensive Income and Expenditure Statement under separate heading).
- (f) Return on Plan Assets - the difference between Expected Fair Value and Actual Value of Pension Assets (debited or credited to Other Comprehensive Income and Expenditure Statement under separate heading).
- (g) contributions paid to the Fund - cash paid as employer's contributions to the Pension Fund.

Statutory provisions require the Council to raise council tax to at least cover the amounts payable by the Council to the Pension Fund in the year. In the Movement in Reserves Statement there are transfers to and from the Pensions Reserve to remove the debits and credits for retirement benefits and replace them with the actual cash paid or payable to the Pension Fund.

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 (including teachers) are accrued in the year of the decision to make the award. Both teachers and other staff benefits are accounted for using the policies as applied to the Local Government Pension Scheme.

**xi. Value Added Tax (VAT)** - income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

**xii. Overheads and Support Services** - the cost of support services are recharged to services based on use and in accordance with CIPFA's Service Reporting Code of Practice (SERCOP) 2015/16 using the principle of total absorption costing. The full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of those costs that relate to the elected and multi-functional nature of the Council, which are disclosed separately as Corporate and Democratic Core and Non Distributed Costs.

These two categories are defined in SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement.

**xiii. Exceptional Items** – when items of income and expenditure are material their nature and amount are disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts and dependent upon their significance to the Council's financial performance.

**xiv. Intangible Assets** - intangible assets acquired by the Council, e.g. computer software licences, are capitalised at cost and amortised over their useful life (typically 5 years). Assets are only revalued where the fair value of the assets can be determined by reference to an active market. In practice, no intangible assets held by the Council meets this criterion and they are therefore carried at amortised cost.

Services are charged with a provision for amortisation of intangible assets used in providing services and,

where required, any related impairment loss. These charges are credited to the Movement in Reserves Statement, and therefore have a neutral impact on the amount that is required from local taxation.

Any gain or loss arising on the disposal of an intangible asset is posted to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement, which is then reversed out, via the Movement in Reserves Statement. The Capital Receipts Reserve is credited with an amount equal to the sales proceeds and the Capital Adjustment Account is debited with an amount equal to the carrying amount of the intangible asset.

A de minimis level for recognition has been set at £50,000.

**xv. Property, Plant and Equipment** – are tangible fixed assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis and are not classed as an investment property(see separate note).

#### Recognition

Expenditure on the acquisition, construction or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year and that the cost can be measured reliably. Expenditure on the acquisition, construction or enhancement of assets with a total value of below £10,000 is not capitalised. The Council maintains a detailed asset register of all assets that it owns.

Expenditure which 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 after Recognition

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use.

Infrastructure, community assets, heritage assets and assets under construction are thereafter measured at historical cost. All other classes of assets are measured at current value. If there is no market based evidence of current value, because of the specialised nature of the asset and the asset is rarely sold, an estimate of current value is made on a depreciated replacement cost basis.

In accordance with the CIPFA approved methodology, infrastructure assets inherited from Humberside County Council were initially valued at the value of outstanding debt as a proxy to establish historic cost.

Assets included in the Balance Sheet at current value are revalued as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve, except where they arise from the reversal of an impairment or revaluation loss previously charged to Surplus or Deficit on the Provision of Services on the same asset.

Revaluation gains are depreciated with an amount equal to the difference between current value depreciation charged on assets, and the depreciation that would have been chargeable based on their historical cost.

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.

Material assets are recognised into components for depreciation purposes when the component is of significant cost compared to the total cost of the item and has a materially different useful life to the main asset. Enhancement expenditure requires the de-recognition of the component replaced or refurbished, and the new component reflected in the carrying amount, even where parts of an asset have not previously been recognised as a separate component.

Components are only recognised when the following criteria are met -

- It's useful life must be 10 or more years different from the main asset
- It must be worth at least £0.250m.
- It must be worth at least 10% of the total valuation of the asset

Donated assets transferred to the Council without conditions attached are measured at fair value at the date of acquisition, with the credit being made to the Capital Adjustment Account via the Comprehensive Income and Expenditure and Movement in Reserves Statements. If conditions do exist, until those conditions are met, the gain is held as a Donated Assets Account liability.

Borrowing costs incurred whilst an asset is under construction are not capitalised.

### Impairment

Asset values are reviewed each year for revaluation losses such as a significant decline in market value and impairment losses through obsolescence or physical damage. All impairment and revaluation losses are written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service.

The reversal of an impairment loss, previously recognised in Surplus or Deficit in the Provision of Services shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. The reversal of an impairment loss is recognised in the circumstance that the increase in value is mirrored by the reversal of the external event that caused the original impairment.

### Disposal/Derecognition

The carrying amount of an item of property, plant or equipment is derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss from derecognition, which is the difference between the net disposal proceeds and the carrying amount of the asset, is credited or debited to the Surplus or Deficit on Provision of Services. This amount is then reversed out as a reconciling item in the Movement in Reserves Statement, resulting in a neutral impact on the amount that is required from local taxation. Related disposal costs are chargeable to revenue but can also, up to a specified limit, be financed from the related capital receipt. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts 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. Following the transfer of the housing stock the only relevant transactions are receipts in respect of the repayment of discounts and mortgage repayments.

The balance of receipts is required to be credited to the Capital Receipts Reserve, and can only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement).

### Charges to Revenue

All services are charged with depreciation for non-current assets used in the provision of the service and impairment and revaluation losses as outlined above. Depreciation is provided for on all assets with a determinable useful life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- Buildings – straight line allocation over the life of the property as estimated by the valuer (ranges from 4 to 45 years)
- Vehicles, plant and equipment – straight line over the estimated life of the asset (typically 5 years) or as advised by a suitably qualified officer
- Infrastructure – straight line allocation over 40 years

Newly acquired assets are depreciated from the beginning of the financial year following acquisition, although assets in the course of construction are not depreciated until they are brought into use. Land is considered to have an infinite life and is therefore not depreciated.

The Council is not required to raise council tax to cover depreciation or impairment losses. However, it is required to set aside a minimum revenue provision (MRP) for repayment of debt. This charge is 4% of the Capital Financing Requirement (CFR) for capital expenditure incurred before 1 April 2008, plus 4% of any supported borrowing after that date. For capital expenditure incurred after 1 April 2008 and funded from unsupported borrowing the MRP is based on the individual asset's life.

Depreciation and impairment losses are replaced by the MRP in the Movement in Reserves Statement by way of a transfer to or from the Capital Adjustment Account.

The Council may also make additional voluntary payments in respect of assets with a limited life, such as vehicles, by reference to the residual life of those assets.

**xvi. Investment Properties** - are properties that are held solely to earn rentals or for capital appreciation or both. Properties that are also used to facilitate the delivery of services or production of goods are accounted for as property, plant and equipment.

Investment property is only recognised as an asset when:

- It is probable that the future economic benefits that are associated with the investment property will flow to the entity, and
- The cost or fair value of the investment property can be measured reliably.

Investment property is measured initially at cost. After initial recognition, the valuation is at fair value, reflecting market conditions at the balance sheet date. Investment properties are not subject to depreciation.

Revaluation of material assets (deemed as over £3m) and market assessments are undertaken each year to ensure that the carrying amount does not differ materially from that which would be determined if all assets were revalued at the balance sheet date.

**xvii. Assets Held for Sale** - Assets whose value will be recovered principally through a sale transaction and that meet strict criteria are classified as Current Assets Held for Sale, otherwise they remain as Non-Current Assets. The following criteria have to be met before an asset can be classified as held for sale –

- The asset (or disposal group) must be available for immediate sale in its present condition.
- The sale must be highly probable
- The sale should be expected to be completed within one year
- The assets (or disposal group) must be actively marketed for a sale at a price that is reasonable in relation to the current value

Assets held for sale are measured at the lower of carrying amount and fair value less costs to sell. No depreciation is charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Held for Sale they are reclassified back to Non-Current Assets and valued at the lower of its carrying amount before it was classified for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised had it not been classified as Held for Sale, and its recoverable amount at the date of the decision not to sell).

Investment Property that the Council decides to sell is not reclassified as Held for Sale but remains Investment Property until the sale.

**xviii. Revenue Expenditure Funded from Capital Under Statute (REFCUS)** – REFCUS is expenditure that is incurred during the year that may be capitalised under statutory provisions but does not result in the creation of tangible assets. The purpose of this is to enable the expenditure to be funded from capital resources and examples include grants, advances and financial assistance to others.

This is charged to Surplus or Deficit on the Provision of Services in accordance with the general provisions of the Code that is then reversed out through a transfer to the Capital Adjustment Account via the Movement in Reserves Statement so that there is no impact on council tax.

## **xix. Leases**

### Finance Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the asset are transferred to the Council. This depends on the substance of the arrangement rather than the legal form of the contract. Lessee rentals payable are apportioned between:

- A charge for the acquisition of the interest in the asset (the principal element), which is recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset. The liability is written down as the rent is paid, and the payment included as part of the Minimum Revenue Provision in the Movement in Reserves Statement
- A finance charge to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

Assets recognised under finance leases are accounted for on the Council's Balance Sheet using the relevant policies for tangible fixed assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Where the Council acts as a lessor of an asset under a finance lease, a long term debtor is established with the amount receivable equal to the net investment in the lease. The lease payment receivable is treated as a capital receipt for the repayment of principal, reducing the debtor outstanding and the finance income is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, calculated to produce a constant periodic rate of return on the net investment.

### Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable under operating leases are charged to revenue on an accruals basis. Assets leased out under

operating leases are held on the Balance Sheet and rentals are credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement on a straight line basis over the term of the lease to the service receiving the benefit of the lease.

**xx. Financial Liabilities** - Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading a premium against the term of the new loan taken out, or a maximum of 10 years for a discount received. 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.

**xxi. Financial Assets** - Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

#### Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and the interest credited is the amount receivable for the year in the loan agreement.

When soft loans are made (loans at less than market rates), 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 at a marginally higher effective rate of interest than the rate receivable from the loan recipients, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Surplus or Deficit on the Provision of Services. Financial assets are considered both individually (where individually significant) and collectively for impairment.

Any gains and losses that arise on de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

#### Instruments Entered Into Before 1 April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed

#### **xxii. Acquired and Discontinued Operations**

##### Acquired Operations

Acquired operations are the ones that the Council has acquired during the accounting period as a result of the reorganisation of local government, or the transfer of services acquired as a consequence of legislation.

The gross expenditure and income incurred as a result of any new responsibility during 2015/16 is shown separately on the face of the Comprehensive Income and Expenditure Statement.

### Discontinued Operations

To qualify as discontinued operations activities must cease completely and, where applicable, these are presented separately on the face of the Comprehensive Income and Expenditure Statement.

**xxiii. Interests in Companies and Other Entities** - the Council does not have, in aggregate, a material interest in any subsidiary companies, associated companies or joint ventures. The Council number of jointly control accounts. For these arrangements the accounts only recognise the Council's share of income, expenditure, assets and liabilities.

**xxiv. Self-Insurance** - the Council self-insures for various policies, subject to a "stop loss" arrangement where appropriate, to mitigate the costs of financial losses. The amount set aside at the year-end as a provision is based on an estimate of the potential liability at that date for known claims. An additional reserve is maintained to cover potential claims not yet made from prior years, to meet exceptional claims going forward and adjustments to future self-insurance arrangements.

**xxv. Cash and Cash Equivalents** - cash includes all bank credit balances and overdrafts held by the Council as part of its normal cash management including all deposit accounts accessible without notice.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. Cash equivalents include investments with a fixed maturity of three months or less from the date of acquisition and available for sale assets such as cash placed in money market funds.

**xxvi. Inventories** – inventories are included in the Balance Sheet at the lower of cost and net realisable value. All internal work in progress outstanding at the year-end is recharged to the service to which it refers, and is therefore eliminated. There is no external work in progress.

**xxvii. Long-term Contracts** – are accounted for on the basis of charging the Comprehensive Income and Expenditure Statement with the value of works and services received under the contract during the year. The Council does not currently have any Private Finance Initiative (PFI) schemes.

**xxviii. Contingent Assets** - contingent assets are not incorporated into the accounting statements but are disclosed within the notes if the inflow of a receipt or economic benefit is likely.

**xxix. Contingent Liabilities** - contingent liabilities are not incorporated into the accounting statements. A disclosure is made in the notes to the Balance Sheet where there are any possible obligations that may require a payment or transfer of economic benefit. If it is probable that a transfer of future of economic benefits will be required then a provision is recognised in the Statement of Accounts.

**xxx. Events after the Balance Sheet Date** - where an event, with a material impact, occurs after the balance sheet date which provides additional evidence relating to conditions existing at the balance sheet date the amounts recognised in the Statement of Accounts are adjusted to reflect this.

For events that concern conditions which did not exist at the balance sheet date, the accounts are not adjusted but a separate disclosure note is made to the accounts.

**xxxi. Carbon Reduction Commitment Scheme** – the Council is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. The Council is required to surrender and purchase allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability is measured at the best estimate of the expenditure required to meet the obligation. The cost to the Council is recognised and reported in the respective services, based on energy consumption.

## 2. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is specified by the Service Reporting Code of Practice. However, decisions about resource allocations are taken by the Council's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. For example, the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year.

The income and expenditure of the Council's principal directorates recorded in the budget reports for 2015/16 and for the previous year comparators is detailed below.

	Chief Exec £'000	Dep Chief Exec £'000	Other £'000	Total £'000
<b>2015/16</b>				
Fees, charges and other service income	(44,543)	(15,276)	(42,467)	<b>(102,286)</b>
Government grants	(71,275)	(52,825)	10,036	<b>(114,064)</b>
<b>Total Income</b>	<b>(115,818)</b>	<b>(68,101)</b>	<b>(32,431)</b>	<b>(216,350)</b>
Employee expenses	17,661	50,889	942	<b>69,492</b>
Other operating expenses	118,312	99,510	34,781	<b>252,603</b>
Support service recharges	15,092	13,085	0	<b>28,177</b>
<b>Total Operating Expenditure</b>	<b>151,065</b>	<b>163,484</b>	<b>35,723</b>	<b>350,272</b>
<b>Net Cost of Services</b>	<b>35,247</b>	<b>95,383</b>	<b>3,292</b>	<b>133,922</b>

	Chief Exec £'000	Dep Chief Exec £'000	Other £'000	Total £'000
<b>2014/15</b>				
Fees, charges and other service income	(42,464)	(13,835)	(42,623)	<b>(98,922)</b>
Government grants	(87,217)	(63,733)	9,255	<b>(141,695)</b>
<b>Total Income</b>	<b>(129,681)</b>	<b>(77,568)</b>	<b>(33,368)</b>	<b>(240,617)</b>
Employee expenses	17,799	53,075	4,662	<b>75,536</b>
Other operating expenses	130,490	114,884	38,622	<b>283,996</b>
Support service recharges	14,627	11,311	683	<b>26,621</b>
<b>Total Operating Expenditure</b>	<b>162,916</b>	<b>179,270</b>	<b>43,967</b>	<b>386,153</b>
<b>Net Cost of Services</b>	<b>33,235</b>	<b>101,702</b>	<b>10,599</b>	<b>145,537</b>

### Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

2014/15 £'000		2015/16 £'000
145,537	Cost of services in the directorate analysis	133,922
313	Net cost of services and support services not included in the analysis	0
869	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the directorate analysis	7
(9,271)	Amounts in the directorate analysis not included in the Net Cost of Services	(8,533)
2,437	Amounts in the directorate analysis not included in the Comprehensive Income and Expenditure Statement	3,497
<b>139,885</b>	<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>128,893</b>



## Reconciliation to Subjective Analysis

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

	Directorate Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to management £'000	Not Included in Net Cost of Services £'000	Not Included in Comprehensive Income & Expenditure Statement £'000	Allocation of Recharges £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
<b>2015/16</b>									
Fees, charges and other service income	(102,286)	(644)	199	3,158	34,972	32,086	(32,515)	0	(32,515)
Interest and investment income	0	0	(1)	0	0	0	(1)	(124)	(125)
Income and Expenditure for Investment Properties	0	0	0	0	0	0	0	1,018	1,018
Income from council tax	0	0	0	0	0	0	0	(51,905)	(51,905)
Income from NNDR	0	0	0	0	0	0	0	(37,694)	(37,694)
Government grants and contributions	(114,064)	0	0	0	(10,036)	0	(124,100)	(43,743)	(167,843)
<b>Total Income</b>	<b>(216,350)</b>	<b>(644)</b>	<b>198</b>	<b>3,158</b>	<b>24,936</b>	<b>32,086</b>	<b>(156,616)</b>	<b>(132,448)</b>	<b>(289,064)</b>
Employee expenses	69,492	(150)	(1)	0	(233)	0	69,108	0	69,108
Other service expenses	252,603	794	(60)	(11,691)	(21,206)	(3,909)	216,531	0	216,531
Support Service recharges	28,177	0	(130)	0	0	(28,177)	(130)	0	(130)
Depreciation and impairment	0	0	0	0	0	0	0	0	0
Loss on Revaluation of Asset Held for Sale	0	0	0	0	0	0	0	4	4
Pensions interest cost and expected return on assets	0	0	0	0	0	0	0	6,269	6,269
Interest payable and similar charges	0	0	0	0	0	0	0	3,981	3,981
Precepts and levies	0	0	0	0	0	0	0	714	714
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	0	0	0
Gain or loss on disposal of non current assets	0	0	0	0	0	0	0	9,918	9,918
<b>Total Expenditure</b>	<b>350,272</b>	<b>644</b>	<b>(191)</b>	<b>(11,691)</b>	<b>(21,439)</b>	<b>(32,086)</b>	<b>285,509</b>	<b>20,886</b>	<b>306,395</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>133,922</b>	<b>0</b>	<b>7</b>	<b>(8,533)</b>	<b>3,497</b>	<b>0</b>	<b>128,893</b>	<b>(111,562)</b>	<b>17,331</b>
<b>2014/15 Comparative Figures</b>									
Fees, charges and other service income	(98,922)	0	966	3,508	34,809	31,340	(28,299)	0	(28,299)
Interest and investment income	0	0	0	0	0	0	0	(216)	(216)
Income and Expenditure for Investment Properties	0	0	0	0	0	0	0	(1,395)	(1,395)
Income from council tax	0	0	0	0	0	0	0	(50,510)	(50,510)
Income from NNDR	0	0	0	0	0	0	0	(33,566)	(33,566)
Government grants and contributions	(141,695)	0	0	536	(9,276)	0	(150,435)	(54,702)	(205,137)
<b>Total Income</b>	<b>(240,617)</b>	<b>0</b>	<b>966</b>	<b>4,044</b>	<b>25,533</b>	<b>31,340</b>	<b>(178,734)</b>	<b>(140,390)</b>	<b>(319,123)</b>
Employee expenses	75,536	0	0	0	(19)	0	75,517	0	75,517
Other service expenses	283,996	313	13	(13,315)	(23,077)	(4,718)	243,212	0	243,212
Support Service recharges	26,622	0	(110)	0	0	(26,622)	(110)	0	(110)
Depreciation and impairment	0	0	0	0	0	0	0	0	0
Loss on Revaluation of Asset Held for Sale	0	0	0	0	0	0	0	(30)	(30)
Pensions interest cost and expected return on assets	0	0	0	0	0	0	0	7,314	7,314
Interest payable and similar charges	0	0	0	0	0	0	0	3,909	3,909
Precepts and levies	0	0	0	0	0	0	0	741	741
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	0	4	4
Gain or loss on disposal of non current assets	0	0	0	0	0	0	0	18,033	18,033
<b>Total Expenditure</b>	<b>386,154</b>	<b>313</b>	<b>(97)</b>	<b>(13,315)</b>	<b>(23,096)</b>	<b>(31,340)</b>	<b>318,619</b>	<b>29,971</b>	<b>348,590</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>145,537</b>	<b>313</b>	<b>869</b>	<b>(9,271)</b>	<b>2,437</b>	<b>0</b>	<b>139,885</b>	<b>(110,419)</b>	<b>29,466</b>

## 3. Pension Schemes

As part of the terms and conditions of employment, the Council offers its employees retirement benefits. Although these benefits will not actually be payable until employees retire, the Council must account for retirement benefits when it is committed to give them, i.e. when the employees earn their future entitlement.

The Council is involved in three major pension schemes:

### Teachers' Pension Scheme

This scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education (DfE) uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes.

For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. The employer's contribution rate is determined by the DfE and for 2015/16 was 14.1% for the period April to August 2015 increasing to 16.48% from 1<sup>st</sup> September 2015 (14.1% in 2014/15). An amount of £1.1m was paid to the Fund in respect of employer's contributions in 2015/16 (£1.3m in 2014/15).

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers Scheme. These costs are accounted for on a defined benefits basis.

## NHS Pension Scheme

During 2015/16, former NHS Staff have continued to work within the Council, and have maintained their membership in the NHS Pension Scheme. The Scheme provides these staff with specified benefits upon retirement towards which the Council makes contributions based on a percentage of members' salaries.

The Scheme is a multi-employer defined benefit scheme administered by the NHS Business Services Authority on behalf of the Department of Health. The Scheme is unfunded and the Department of Health uses a notional fund as the basis for setting employer contribution rates. Valuations of the fund are undertaken every four years. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes.

For the purposes of this Statement of Accounts, this scheme is therefore accounted for on the same basis as a defined contribution scheme. The employer's contribution rate is determined by the NHS Business Services Authority and was 14.3% for 2015/16 (14.0% in 2014/15). An amount of £0.44m was paid to the fund in respect of employer's contributions in 2015/16 (£0.47m in 2014/15)

The authority is not liable to the Scheme for any other entities' obligations under the plan.

## Local Government Pension Scheme

As part of the terms and conditions of employment of its officers, the authority makes contributions towards the cost of post-employment benefits within the Local Government Pension Scheme. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

- (i) The Local Government Pension Scheme, administered locally by East Riding of Yorkshire Council – this is a funded defined benefit scheme where the Council and its employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The last relevant review by the Fund's actuary was at 31 March 2013.
- (ii) Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pensions payments as they fall due.

The East Riding Pension Scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of East Riding of Yorkshire Council. Policy is determined in accordance with the Public Service Pensions Act 2013.

## Transactions Relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on cash payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

£'000		£'000
	<b>Comprehensive Income and Expenditure Statement</b>	
	<b>Cost of Services:</b>	
8,457	Current Service Cost	9,695
278	Past Service Cost (Including Curtailment)	83
(2,818)	Settlements	(4,269)
<b>5,917</b>	<b>Subtotal</b>	<b>5,509</b>
	<b>Financing and Investment Income and Expenditure</b>	
(13,741)	Interest Income of Plan Assets	(11,312)
21,055	Interest Cost of Defined Benefit Obligations	17,581
0	Impact of Asset Ceiling on Net Interest	0
<b>7,314</b>	<b>Sub Total</b>	<b>6,269</b>
<b>13,231</b>	<b>Charge to Surplus/Deficit on the Provision of Services</b>	<b>11,778</b>
	<b>Other Comprehensive Income and Expenditure</b>	
22,663	Remeasurements net defined benefit Liability	(30,483)
<b>35,894</b>	<b>Total Charge to Comprehensive Income and Expenditure</b>	<b>(18,705)</b>
	<b>Movement in the Reserves Statement</b>	
(2,176)	Reversal of Net Charges Made to Surplus/Deficit for the Provision of Services	(916)
<b>11,055</b>	<b>Actual Amount Charged Against General Fund Balance for Pensions in the Year:</b>	<b>10,862</b>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2016 is a loss of £119.64m (£150.14m loss at 31 March 2015).

The actual amount charged against General Fund balances in respect of the Local Government Pension Scheme in the year included:

- employer's contributions amounting to £8.6m (£8.8m in 2014/15) representing 25.0% of pensionable pay (25.0% in 2014/15), and
- discretionary pension costs amounting to £2.5m (£2.6m in 2014/15), as detailed below:

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
1,312	Discretionary Pensions Funded on Ongoing Basis - Teachers	1,329
995	Discretionary Pensions Funded on Ongoing Basis - Other employees	992
334	Discretionary Pensions Funded by Augmentation - Other employees	215
<b>2,641</b>		<b>2,536</b>

Discretionary pensions are increases in pension payments (e.g. added years) agreed by the Council for which pension payments are still being made.

In 1998/99 a decision was made to fund discretionary added years by augmentation. Augmentation is a single payment paid by the Council into the Pension Fund. This payment is calculated when the retirement occurs and covers the on-going liabilities relating to that retirement together with the cash flow costs of the early payment of the lump sum.

The costs of discretionary benefits awarded prior to 1998/99 continue to be charged to the Council as and when pension payments are made to the individual and will continue to be charged over the remaining lives of the individuals. Payments made on an on-going basis in 2015/16 are therefore a consequence of decisions made in earlier years.

## Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of scheme liabilities:

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
<b>(520,888)</b>	<b>1 April</b>	<b>(574,294)</b>
(8,457)	Current service cost	(9,695)
(21,055)	Interest Cost	(17,581)
(2,310)	Contributions by members	(2,260)
(46,526)	Remeasurement (gains) and losses	37,648
16,681	Estimated benefits paid	17,156
2,265	Estimated unfunded benefits	2,241
(278)	Past service costs (including curtailments)	(83)
6,274	Liabilities Extinguished on Settlements	4,585
<b>(574,294)</b>	<b>31 March</b>	<b>(542,283)</b>

Reconciliation of fair value of the scheme assets:

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
<b>339,724</b>	<b>1 April</b>	<b>368,291</b>
13,741	Interest income on plan assets	11,312
23,863	Actuarial gains / (losses) Remeasurement gain / (loss)	(7,165)
8,790	Employer contributions	8,621
2,310	Contributions by members	2,260
2,265	Contributions in respect of unfunded benefits	2,241
(16,681)	Benefits paid	(17,156)
(3,456)	Assets Distributed on Settlements	(316)
(2,265)	Unfunded benefits paid	(2,241)
<b>368,291</b>	<b>31 March</b>	<b>365,847</b>

The overall net balance sheet position as at 31 March is summarised below:

31 March 2015 £'000		31 March 2016 £'000
368,291	Fair Value of Employer Assets	365,847
(544,550)	Present Value of Funded Liabilities	(515,456)
<b>(176,259)</b>	<b>Net (Under)Over Funding in Funded Plans</b>	<b>(149,609)</b>
(29,744)	Present Value of Unfunded Liabilities	(26,827)
<b>(206,003)</b>	<b>Net Asset/(Liability)</b>	<b>(176,436)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £176.4m has a substantial effect on the net worth of the Council, as recorded in the Balance Sheet. However, under statutory arrangements for funding, the deficit on the local government scheme will be made good by increased contributions by the employer over the remaining working life of employees as assessed by the scheme actuary.

### Projected Pension Expense for the Period to 31 March 2017

	31 March 2017 £'000	% of Pay %
Projected Current Service Cost	(8,773)	25.2
Interest on Obligation	(18,288)	52.6
Interest Income on Plan Asset	12,317	35.4
<b>Total</b>	<b>(14,744)</b>	<b>113.2</b>

The actuary estimates that the Council's Employer's contributions to the Local Government Pension Scheme for the period to the 31 March 2017 will be approximately £8.20m.

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Liabilities have been assessed by Hyman Robertson, an independent firm of actuaries, based on the latest full valuation of the scheme at 31 March 2013.

The principal assumptions used by the actuary have been:

2014/15		2015/16
<b>Long term expected rate of return on assets in the scheme</b>		
3.1%	Equities	3.1%
3.1%	Bonds	3.1%
3.1%	Property	3.1%
3.1%	Cash	3.1%
<b>Rates of inflation</b>		
2.1%	Price increases	2.1%
3.5%	Salary Increases	3.6%
2.1%	Pension increases	2.1%
30.0%	Employees opting to take commuted lump sum - pre April 2008 service	30.0%
65.0%	Employees opting to take commuted lump sum - post April 2008 service	65.0%
3.1%	Rate for discounting scheme liabilities	3.1%
<b>Current Longevity at 65 for pensioners</b>		<b>Current</b>
21.9 years	Men	21.9 years
24.1 years	Women	24.1 years
<b>Future Longevity at 65 for pensioners</b>		<b>Future</b>
24.2 years	Men	24.2 years
26.7 years	Women	26.7 years

## Sensitivity Analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below -

2014/15			2015/16		
Increase to Employer			Increase to Employer		
%	£'000		%	£'000	
10%	54,827	0.5% decrease in Real Discount Rate	10%	52,421	
3%	17,229	1 year increase in member life expectancy	3%	16,269	
2%	12,607	0.5% increase in the Salary Increase Rate	2%	10,855	
7%	41,559	0.5% increase in the Pension Increase Rate	8%	41,172	

## Local Government Pension Scheme assets comprised

	Fair value scheme assets	
	2014/15	2015/16
	£'000	£'000
<b>Cash and cash equivalents</b>	<b>11,896</b>	<b>10,266</b>
<u>Equity Instruments</u>		
Consumer	37,566	36,620
Manufacturing	18,973	10,318
Energy and utilities	21,894	22,927
Financial institutions	22,763	44,989
Health and care	23,634	23,685
Information technology	20,842	21,391
Other	0	0
	<b>145,672</b>	<b>159,930</b>
<u>Bonds</u>		
Corporate	11,747	13,457
Government	12,487	10,767
Other	12,759	12,234
	<b>36,993</b>	<b>36,458</b>
<u>Property</u>		
UK property	<b>31,391</b>	<b>43,142</b>
<u>Private Equity</u>		
All	<b>19,767</b>	<b>18,450</b>
<u>Other investment funds</u>		
Equities	91,097	64,503
Infrastructure	10,681	11,316
Other	20,794	21,782
	<b>122,572</b>	<b>97,601</b>
Derivatives	0	0
<b>Total asset</b>	<b>368,291</b>	<b>365,847</b>

#### 4. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

These are grants and contributions where there are no outstanding conditions on what the money can be spent:

2014/15 £'000		2015/16 £'000      £'000	
33,556	National Non Domestic Rate Grant	37,694	
43,317	Revenue Support Grant	31,348	
2,109	Other Grants and Contributions	2,358	
<b>78,982</b>	<b>General Revenue Grants and Contributions</b>		<b>71,400</b>
311	Local Transport Plan Block Grant	3,476	
3,573	Schools Basic Need	27	
621	Capital Modernisation	518	
2,288	Pinch Point	161	
651	Department of Transport Grant(A18 A180 Link Road)	4,261	
739	REFCUS Grants not in Capital Grants I&E Line	74	
1,093	Other Grants and Contributions	1,520	
<b>9,276</b>	<b>Capital Grants and Contributions</b>		<b>10,037</b>
<b>88,258</b>	<b>Total</b>		<b>81,437</b>

These are grants and contributions that have conditions on what the money is spent on and that are therefore recognised within specific services to finance related spend:

2014/15 £'000		2015/16 £'000      £'000	
57,911	Rent Allowances	56,425	
39,138	Dedicated Schools Grant	32,525	
-	Council Tax Benefits	-	
16,295	Regional Growth fund	4,074	
38,316	Other Grants and Contributions	31,913	
<b>151,660</b>		<b>124,937</b>	

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that have not yet been met. Until the grant conditions are met the Council records these amounts as receipts in advance:

2014/15 £'000		2015/16 £'000      £'000	
	<b>Capital Grants</b>		
989	Other Capital Grants and Contributions	931	
<b>989</b>			<b>931</b>
	<b>Revenue Grants</b>		
-	Rent Allowances	-	
9,597	Other Grants and Contributions	3,782	
<b>9,597</b>			<b>3,782</b>
<b>10,586</b>			<b>4,713</b>

## 5. Events After the Balance Sheet Date

This note considers events that arise after the balance sheet date, which concerns conditions that did not exist at that time and are of such materiality that their disclosure is required for the fair presentation of the final statements. Events after the balance sheet date should be reflected up to the date when the Statement of Accounts is authorised for issue.

The following disclosure is made of non-adjusting events, which means that no change is required to the figures in the 2015/16 Statement of Accounts, only an explanatory note -

### Academy Schools

There is plan for a further four conversions over the remainder of 2016/17. This is likely to result in a reduction in the value of the Council's assets by an estimated £3.432m in 2016/17.

### EU membership

Since the announcement of the result of the referendum on the UK's EU membership the financial markets have been unsettled. At this stage it is impossible to estimate the impact on the council however it may have an impact on the value of the council's asset and liabilities.

### Lender Option Borrow Option Loans

In June 2016 Barclays Bank permanently waived its right to exercise its option feature implicit in the Lender Option Borrow Option Loans (LOBOs) at nil cost to the Authority. In future this will have the effect of reducing the Fair Value figure quoted in the accounts by £5.378m

## 6. Members Allowances

The total amount paid to Members in 2015/16 in respect of Members' Allowances, including travel and subsistence, was £0.489m (£0.495m in 2014/15).

## 7. Officers Remuneration

### Senior Officers with a salary of £150,000 per year or more:

- There were no positions within the authority with a salary over £150,000 during the 2014/15 and 2015/16 financial years.

### Senior Officers Emoluments - Salary of between £50,000 and £150,000 per year:

The number of Officers reported in the table below has decreased in 2015/16 following a restructure of the Leadership Team during the 2015/16 financial year.

Post holder Information (Post Title Only)	Salary (Including fees & Allowances)	Compensation for loss of office	Expense Allowances	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
<b>Year 2015/16</b>						
Chief Executive	135,000	0	942	135,942	20,250	156,192
Deputy Chief Executive/Communities	120,000	0	1,015	121,015	18,000	139,015
Director of Finance (Chief Finance Officer)	91,800	0	47	91,847	13,770	105,617
Director of Economy and Growth	90,000	0	0	90,000	13,590	103,590
Director of Public Health	93,800	0	2,841	96,641	13,413	110,054
Assistant Director Joint Delivery	88,650	0	0	88,650	13,291	101,941
Assistant Director Adult Services & Health Improvement	83,681	0	0	83,681	12,552	96,233
Assistant Director Children's Services	83,681	0	23	83,704	12,552	96,256
Assistant Director Governance and Democracy	83,681	0	193	83,874	12,552	96,426
Assistant Director Early Intervention	83,681	0	0	83,681	12,552	96,233
Assistant Director - Law	83,681	0	293	83,974	12,552	96,526
Assistant Director Environment	83,681	0	0	83,681	12,552	96,233
Deputy Director of Public Health	81,618	0	827	82,445	11,671	94,116
Chief Nurse	20,567	0	0	20,567	2,863	23,430



Post holder Information (Post Title Only)	Salary (Including fees & Allowances)	Compensation for loss of office	Expense Allowances	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
<b>Year 2014/15</b>						
Chief Executive	135,000	0	312	135,312	20,250	155,562
Deputy Chief Executive/Communities	120,000	0	716	120,716	18,000	138,716
Strategic Director Place	63,871	87,500	665	152,036	9,581	161,617
Director of Finance (Chief Finance Officer)	86,886	0	79	86,965	13,033	99,998
Director of Economy and Growth	58,355	0	0	58,355	8,621	66,976
Director of Public Health	22,441	0	0	22,441	3,142	25,583
Assistant Director Joint Delivery	80,750	0	0	80,750	12,112	92,862
Assistant Director Adult Services & Health Improvement	82,330	0	80	82,410	12,350	94,760
Assistant Director Children's Services	82,330	0	0	82,330	12,350	94,680
Assistant Director Governance and Democracy	82,330	0	170	82,500	12,350	94,850
Assistant Director Early Intervention	82,330	0	0	82,330	12,350	94,680
Assistant Director - Law	74,831	0	231	75,062	11,225	86,287
Assistant Director Environment	82,330	0	0	82,330	12,350	94,680
Deputy Director of Public Health	90,406	0	1,236	91,642	12,655	104,297
Chief Nurse	70,670	0	0	70,670	9,881	80,551

**Notes:**

- The Strategic Director Place post was deleted as part of a restructure of the leadership team during the 2014/15 financial year.
- The Chief Nurse left the authority in July 2015 and the post has remained vacant for the rest of the 2015/16 financial year
- There is a variance between the 2014/15 and 2015/16 salary figures relating to the post of Director of Public Health. This is due to this post remaining vacant for over 9 months of the 2014/15 financial year – the Deputy Director of Public Health acted in this role until the new Director of Public Health was appointed on 05/01/2015.
- Senior officer emoluments do not include Returning Officer fees.

The number of Council employees (excluding senior officers who are shown above) whose remuneration, excluding pension contributions, was £50,000 or more were:

2014/15				2015/16		
No. of Employees				No. of Employees		
Teachers	Other	Total	Remuneration Band:	Teachers	Other	Total
4	23	27	£50,000 - £54,999	3	24	27
3	7	10	£55,000 - £59,999	2	1	3
5	3	8	£60,000 - £64,999	4	8	12
2	1	3	£65,000 - £69,999	3	1	4
0	0	0	£70,000 - £74,999	0	1	1
0	1	1	£75,000 - £79,999	1	0	1
0	0	0	£80,000 - £84,999	0	0	0
0	0	0	£85,000 - £89,999	0	0	0
0	0	0	£90,000 - £94,999	0	0	0
0	0	0	£95,000 - £99,999	0	1	1
0	0	0	£100,000 - £104,999	0	1	1
0	0	0	£105,000 - £109,999	0	0	0
0	0	0	£110,000 - £114,999	0	0	0
0	0	0	£115,000 - £119,999	0	0	0
0	0	0	£120,000 - £124,999	0	0	0
0	0	0	£125,000 - £129,999	0	0	0
14	35	49		13	37	50

- Other employees band £55,000 - £59,999 has decreased due to redundancy, management restructure and other temporary management arrangements.
- Other employees band £60,000 - £64,999 has increased due to changes in the management structure and appointment to a vacant post.
- Other employees band £95,000 - £99,999 has increased in 2015/16 due to redundancy.
- Other employees band £100,000 - £104,999 has increased in 2015/16 due to redundancy.

## 8. Dedicated Schools Grant (DSG)

The Schools Budget includes elements for a restricted range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the DfE to fund academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a restricted range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2015/16 are as follows:

	£'000	£'000	£'000
Final DSG for 2015/16 (before academy recoupment)			121,165
Less: Academy figure recouped for 2015/16			(90,774)
Final DSG for 2015/16 (following academy recoupment)			<b>30,391</b>
Brought forward from 2014/15			6,611
Less: Carry forward to 2016/17 agreed in advance			(2,727)
Agreed budget distribution in 2015/16	<b>15,195</b>	<b>19,080</b>	<b>34,275</b>
In-year adjustments	(38)	2,117	2,079
Final budgeted distribution for 2015/16	<b>15,157</b>	<b>21,197</b>	<b>36,354</b>
2014/15 DSG adjustment	56	0	56
<b>Adjusted Final budget distributed for 2015/16</b>	<b>15,213</b>	<b>21,197</b>	<b>36,410</b>
Less: actual central expenditure	(12,493)	0	(12,493)
Less: actual ISB deployed to schools	0	(21,237)	(21,237)
Plus Council's contribution for 2015/16	0	0	0
<b>Surplus Carry forward to 2016/17</b>	<b>2,720</b>	<b>(40)</b>	<b>2,680</b>

The total carry forward available for schools at the start of 2016/17 is summarised as follows:

	£'000
Carry forward to 2016/17 agreed in advance	2,727
Surplus carry forward from 2015/16	2,680
<b>Total Carry Forward Available to Schools in 2016/17</b>	<b>5,407</b>

## 9. Adjustments between Accounting Basis and Funding Basis under Regulations

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

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Movements in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
<b>2015/16</b>					
<b><u>Adjustments involving the Capital Adjustment Account</u></b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>					
Charges for depreciation and impairment of non current assets	(2,590)	0	0	0	2,590
Revaluation losses on Property, Plant and Equipment	(14,080)	0	0	0	14,080
Revaluation losses on Assets Held for Sale	(4)	0	0	0	4
Movements in the market value of investments	(3,336)	0	0	0	3,336
Amortisation of Intangible Fixed Assets	(576)	0	0	0	576
Capital grants and contributions applied	12,776	0	0	(84)	(12,692)
Revenue Expenditure Funded from Capital Under Statute	(4,417)	0	0	0	4,417
Amounts of non current assets written off on disposal	(10,101)	0	0	0	10,101
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>					
Minimum Revenue Provision for the financing of capital investment	5,661	0	0	0	(5,661)
Voluntary Revenue Provision for the financing of capital investment	143	0	0	0	(143)
Capital expenditure charged to the General Fund Balance	273	0	0	0	(273)
<b><u>Adjustment involving the Capital Receipts Reserve</u></b>					
Transfer of sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	64	0	(64)	0	0
Use of capital receipts to finance capital investment	0	0	340	0	(340)
Repayment of Capital Loans	119	0	(119)	0	0
<b><u>Adjustment involving the Pensions Reserve</u></b>					
Difference between pension costs calculated in accordance with the Code and contributions due under pension scheme regulations	(916)	0	0	0	916
<b><u>Adjustment involving the Financial Instrument Adjustment Account</u></b>					
<b><u>Adjustment involving the Collection Fund Adjustment Account</u></b>					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from that calculated in accordance with statute	699	0	0	0	(699)
Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from that calculated in accordance with statute	8,175	0	0	0	(8,175)
<b><u>Adjustment involving the Accumulating Absences Adjustment Account</u></b>					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from that calculated in accordance with statute	232	0	0	0	(232)
<b>Total Adjustment</b>	<b>(7,878)</b>	<b>0</b>	<b>157</b>	<b>(84)</b>	<b>7,805</b>

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Movements in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
<b>2014/15</b>					
<b><u>Adjustments involving the Capital Adjustment Account</u></b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>					
Charges for depreciation and impairment of non current assets	(13,028)	0	0	0	13,028
Revaluation losses on Property, Plant and Equipment	(3,972)	0	0	0	3,972
Revaluation losses on Assets Held for Sale	30	0	0	0	(30)
Movements in the market value of investments	(1,079)	0	0	0	1,079
Amortisation of Intangible Fixed Assets	(17)	0	0	0	17
Capital grants and contributions applied	12,757	0	0	(230)	(12,527)
Revenue Expenditure Funded from Capital Under Statute	(5,226)	0	0	0	5,226
Net gain or loss on disposal of non current assets	(18,052)	0	0	0	18,052
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>					
Minimum Revenue Provision for the financing of capital investment	5,374	0	0	0	(5,374)
Voluntary Revenue Provision for the financing of capital investment	269	0	0	0	(269)
Capital expenditure charged to the General Fund Balance	3,560	0	0	0	(3,560)
<b><u>Adjustment involving the Capital Receipts Reserve</u></b>					
Transfer of sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	(1,448)	0	1,448
Use of capital receipts to finance capital investment	0	0	1,350	0	(1,350)
Repayment of Capital Loans			(5)		5
Contribution from Capital Receipts Reserve to finance payments to the Government capital receipts pool	(4)	0	4	0	0
<b><u>Adjustment involving the Pensions Reserve</u></b>					
Difference between pension costs calculated in accordance with the Code and contributions due under pension scheme regulations	(2,176)	0	0	0	2,176
<b><u>Adjustment involving the Financial Instrument Adjustment Account</u></b>					
<b><u>Adjustment involving the Collection Fund Adjustment Account</u></b>					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from that calculated in accordance with statute	333	0	0	0	(333)
Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from that calculated in accordance with statute	(7,119)				7,119
<b><u>Adjustment involving the Accumulating Absences Adjustment Account</u></b>					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from that calculated in accordance with statute	19	0	0	0	(19)
<b>Total Adjustment</b>	<b>(28,331)</b>	<b>0</b>	<b>(99)</b>	<b>(230)</b>	<b>28,660</b>

## 10. Related Party Transactions

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

The UK government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Grants received from Government departments are set out in the subjective analysis in note 2 on reporting for resource allocation decisions, with more detail provided in note 4 which provides an analysis of grant income.

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2015/16 is shown in note 6. In addition to their normal involvement on various Council Committees many Members and some officers also act as the Council's representative on a range of outside and voluntary bodies – some such representation follows from their Committee membership(s). A list of representatives appointed to outside bodies during 2015/16 was included in the minutes of the Annual Meeting of the Council. Meetings of the Council during the year agreed any subsequent changes.

Information in respect of material transactions with related parties, not disclosed in another note elsewhere in this Statement of Accounts, is presented below:

2014/15			2015/16	
Payments	Receipts		Payments	Receipts
£'000	£'000		£'000	£'000
48,391	3,568	North East Lincolnshire Clinical Commissioning Group	39,024	3,994
46	-	e-Factor	N/A	N/A
N/A	N/A	Lincs Inspire Ltd	2,947	256
477	108	Shoreline Housing Partnership	518	105
294	71	Grimsby Institute of Further & Higher Education	285	145
270	-	Voluntary Action North East Lincolnshire	113	29

Debtors at 31st March 2015		Debtors at 31st March 2016
£'000		£'000
44	North East Lincolnshire Clinical Commissioning Group	129
20	Shoreline Housing Partnership	23
26	Grimsby Institute of Further & Higher Education	11
-	Voluntary Action North East Lincolnshire	7
N/A	Lincs Inspire Ltd	69

Details of additional involvements are as follows:

<u>Name</u>	<u>Declaration</u>
Sally Jack	Board Member, Lincs Inspire
Councillor M Barrow	Care Plus Council of Governors' Humberside Police & Crime Panel
Councillor S Beasant	Grimsby and Cleethorpes Citizens' Advice Bureau Management Committee
Councillor D Bolton	Immingham Museum Management Committee, Safer & Stronger Communities Board,
Councillor J Bramley	Grimsby and Cleethorpes Citizens' Advice Bureau Management Committee
Councillor K Brookes	Chairman of Charter Trustees for Cleethorpes
Councillor M Burton	Immingham Museum Management Committee, Humberside Fire Authority
Councillor H Chase	Chair Cleethorpes Charter Trustees, Safer & Stronger Communities Board, Trustee of Voluntary Action - North East Lincolnshire, Humberside Police and Crime Panel
Councillor I Colquhoun	Waltham Windmill Trust; Member of North East Lindsey Drainage Board, Member of Tourism North East Lincolnshire.

Councillor M Cracknell	Waltham Windmill Trust; Governor Signhills Academy, Trustee of Voluntary Action - North East Lincolnshire, Member of North East Lindsey Drainage Board, Care Plus Council of Governors
Councillor A Darby	Navigo Extra Ltd, Care 4 All
Councillor M Dickerson	Council of Governors NLAG, Council of Governors Care Trust, Laceby Stanford Trustee
Councillor J Fenty	Director of Grimsby Town Football Club;
Councillor S Harness	Waltham Windmill Trust
Councillor D Hasthorpe	Chairman Town & Parish Liaison Committee, Trustee Laceby Stanford School
Councillor H Hudson	Member of North East Lindsey Drainage Board, Director of Shoreline Housing Partnership
Councillor J Hylton-King	Member of North East Lindsey Drainage Board, NAVIGO, CCG Governing Body
Councillor P Jackson	Waltham Windmill Trust, Cofely Partnership Board, Humberside Fire Authority
Councillor R James	Trustee of Voluntary Action - North East Lincolnshire, Governor Grimsby Institute of Further & Higher Education
Councillor I Lindley	Governor Grimsby Institute of Further & Higher Education, Governor Laceby Acres Primary School, Board Member of Shoreline Housing Partnership
Councillor T Mickleburgh	North East Lindsey Drainage Board
Councillor N Lincoln	Member of North East Lindsey Drainage Board, Trustee of Second Avenue Resource Centre
Councillor R Oxby	Membership Board NAVIGO, Governor Woodlands Primary School, Cofely Partnership Board
Councillor M Patrick	Governor Havelock Academy, CCG Governing Body
Councillor W Parkinson	Member of North East Lindsey Drainage Board
Councillor S Shreeve	Non-Executive Director of NLAG, Trustee of Charitable Funds NLAG, Grimsby and Cleethorpes Citizens' Advice Bureau Management Committee
Councillor M Stinson	NAVIGO
Councillor J Stockton	Vice Chair Centre 4,
Councillor R Sutton	Trustee of Linkage Trust; Grimsby & Cleethorpes Citizens' Advice Bureau Trustee Board, Humberside Fire Authority
Councillor T Thurogood	North East Lindsey Drainage Board
Councillor T Walker	Board Member Lincs Inspire, Humber Police and Crime Panel
Councillor D Watson	Cofely Partnership Board, Humber LEP Partnership, Tourism NEL
Councillor P Wheatley	Safeguarding Adults Board; Governor Laceby Acres Primary, Cofely Partnership Board, Humber LEP Partnership

Details of all transactions are recorded in the Register of Members' Interests which is open to public inspection. Additionally, details of Members' representation on outside bodies are considered by full Council in May each year at the Annual General Meeting.

Individual members' representation on outside bodies can be found on the Council's website at <http://www.nelincs.gov.uk/council/councillors-democracy-elections/councillors-information-and-advice/>

## 11. External Audit Costs

In 2015/16 North East Lincolnshire Council incurred the following fees relating to external audit and inspection:

2014/15 £'000		2015/16 £'000
158	Fees payable with regards to external audit services carried out by the appointed auditor	119
-	Fees payable in respect of statutory inspection	-
17	Fees payable for the certification of grant claims and returns	17
2	Fees payable in respect of other services	2
<b>177</b>		<b>138</b>

## 12. Investment Properties

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

2014/15 £'000		2015/16 £'000
(3,268)	Rental income from investment property	(3,028)
835	Direct operating expenses arising from investment property	710
<b>(2,433)</b>	<b>Total</b>	<b>(2,318)</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The authority is required to make the following fair value disclosure in accordance with section 2.10.4 of the Code

### Fair Value Hierarchy

The authority's investment properties have been valued in accordance with IFRS 13 and have been assessed as Level 3 on the fair value hierarchy for valuation purposes. There are three possible levels of input for valuation purposes and they are defined in IFRS 13 as:

- Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities 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 or liability, either directly or indirectly.
- Level 3 - unobservable inputs for the asset or liability

### Transfers between levels of the Fair Value Hierarchy

There were no transfers between Levels 1 and 2 during the year.

The following table summarises the movement in the Fair Value Investment Properties over the year.

Investment Properties categorised within Level 3	31st March 2016	£000
Opening Balance		47,221
Reclassifications in to Investment Properties at Level 3		234
Reclassifications out of Investment Properties at Level 3		(161)
Transfers into Level 3		0
Transfers out of Level 3		0
Total gains (or losses) for the period included in the Surplus or Deficit on the Provision of Services resulting from changes in fair value		(3,337)
Additions		903
Disposals		(229)
<b>Closing Balance</b>		<b>44,631</b>

### Valuation Techniques Used to Determine Level 3 Fair Values for Investment Property

Each valuation has been assessed using the market approach based on the fair value hierarchy. The inputs for valuation have been categorised against the hierarchy of evidence in accordance with IFRS 13 and rated as level 1, 2 or 3. Where the inputs in a valuation are classed as unobservable this is primarily due to the lack of evidence in the principal or most advantageous market or the number and type of adjustments made, for example adjustments for location, size, repair etc. of a comparable property. There has been no change in the valuation techniques used during the year for investment properties.

#### Highest and Best Use

In estimating the fair value of the Council's investment properties, the highest and best use is their current use.

#### Valuation Process for Investment Properties

The Council's investment properties have been valued as at 31 March 2016 by the authority's partner ENGIE Services Limited in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

### 13. Property, Plant and Equipment

The tables below summarise the movements in year and for the comparator year.

#### **Movements in 2015/16:**

	Other Land and Buildings	Plant & Vehicles, Equipment	Infrastructure	Community Assets	Assets Under Construction	Assets Held for Sale (Current Asset)	Investment Property	Heritage Asset	Intangible Asset	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Cost or Valuation</u></b>										
<b>At 1 April 2015</b>	<b>170,904</b>	<b>15,068</b>	<b>110,037</b>	<b>14,626</b>	<b>5,784</b>	<b>794</b>	<b>47,221</b>	<b>991</b>	<b>4,636</b>	<b>370,061</b>
Additions	9,235	716	9,805	54	2,625	0	904	0	1	23,340
Donations	0	0	0	0	0	0	0	0	0	0
Revaluation increases/decreases:										
- recognised in the Revaluation Reserve	(14,197)	0	0	0	0	0	0	0	0	(14,197)
- recognised in Surplus/Deficit on Provision of Services	(14,080)	0	0	0	0	(5)	(3,337)	0	0	(17,422)
Derecognition:										
- disposals	(12,004)	(890)	0	0	0	0	(229)	0	(173)	(13,296)
- other	0	0	0	0	0	0	0	0	0	0
Reclassifications::										
- Assets Held for Sale	316	0	0	0	0	(316)	0			0
- other	3,410	0	0	12	(3,494)	0	72	0	0	0
Other service expenses	0	0	0	0	0	0	0	0	0	0
Other movements in cost or valuation	(922)	0	0	0	0	0	0	0	0	(922)
<b>At 31 March 2016</b>	<b>142,662</b>	<b>14,894</b>	<b>119,842</b>	<b>14,692</b>	<b>4,915</b>	<b>473</b>	<b>44,631</b>	<b>991</b>	<b>4,464</b>	<b>347,564</b>
<b><u>Accumulated Depreciation and Impairment</u></b>										
<b>At 1 April 2015</b>	<b>64,974</b>	<b>9,062</b>	<b>25,189</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,324</b>	<b>101,549</b>
Depreciation:										
- charge in year	5,651	1,503	2,682	0	0	0	0	0	576	10,412
- written out to Revaluation Reserve	(15,219)	0	0	0	0	0	0	0	0	(15,219)
- written out to Surplus/Deficit on Provision of Services	(1,650)	0	0	0	0	0	0	0	0	(1,650)
Impairment losses/(reversals):										
- recognised in Revaluation Reserve	(16,050)	0	0	0	0	0	0	0	0	(16,050)
- recognised in Surplus/Deficit on Provision of Services	(5,594)	0	0	0	0	0	0	0	0	(5,594)
Derecognition:										
- disposals	(2,263)	(878)	0	0	0	0	0	0	(173)	(3,314)
- other	0	0	0	0	0	0	0	0	0	0
Reclassifications:										
- Assets Held for Sale	0	0	0	0	0	0	0	0	0	0
- other	0	0	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	(925)	0	0	0	0	0	0	0	0	(925)
<b>At 31 March 2016</b>	<b>28,924</b>	<b>9,687</b>	<b>27,871</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,727</b>	<b>69,209</b>
<b><u>Net Book Value</u></b>										
<b>At 1 April 2015</b>	<b>105,930</b>	<b>6,006</b>	<b>84,848</b>	<b>14,626</b>	<b>5,784</b>	<b>794</b>	<b>47,221</b>	<b>991</b>	<b>2,312</b>	<b>268,512</b>
<b>At 31 March 2016</b>	<b>113,738</b>	<b>5,207</b>	<b>91,971</b>	<b>14,692</b>	<b>4,915</b>	<b>473</b>	<b>44,631</b>	<b>991</b>	<b>1,737</b>	<b>278,355</b>



The closing net book values reflect the fact that ownership of foundation, voluntary aided and voluntary controlled schools have been transferred to the governing bodies of those individual schools. During 2015/16, there were a number of schools that converted to academy status and/or long-term leases, which resulted in a further 3 schools being removed from the Council's balance sheet, accounted for as disposals with nil proceeds. There is a requirement to disclose a five year summary of movement on heritage assets. However, the value of heritage assets was not deemed material and no heritage assets were recognized, as a result, until 2011/12. All values for heritage assets prior to 1 April 2011 are therefore deemed to be nil and no separate note is required.

#### Movements in 2014/15:

	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Assets Under Construction	Assets Held for Sale (Current Asset)	Investment Property	Heritage Asset	Intangible Asset	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>										
<b>At 1 April 2014</b>	<b>208,310</b>	<b>13,078</b>	<b>96,595</b>	<b>14,581</b>	<b>5,797</b>	<b>638</b>	<b>42,649</b>	<b>991</b>	<b>2,587</b>	<b>385,226</b>
Additions	5,311	2,605	13,442	45	3,426	9	22	0	34	24,894
Donations	0	0	0	0	0	0	0	0	0	0
Revaluation increases/decreases:										
- recognised in the Revaluation Reserve	3,471	0	0	0	0	0	0	0	0	3,471
- recognised in Surplus/Deficit on Provision of Services	(7,048)	0	0	0	0	(28)	0	0	0	(7,076)
Derecognition:										
- disposals	(31,351)	(1,776)	0	0	0	(404)	(36)	0	(263)	(33,830)
- other	0	0	0	0	0	0	0	0	0	0
Reclassifications::										
- Assets Held for Sale	(737)	0	0	0	0	737	0			0
- other	(6,726)	1,161	0	0	(3,439)	0	6,726	0	2,278	0
Other service expenses	0	0	0	0	0	0	0	0	0	0
Other movements in cost or valuation	(326)	0	0	0	0	(158)	(2,140)	0	0	(2,624)
<b>At 31 March 2015</b>	<b>170,904</b>	<b>15,068</b>	<b>110,037</b>	<b>14,626</b>	<b>5,784</b>	<b>794</b>	<b>47,221</b>	<b>991</b>	<b>4,636</b>	<b>370,061</b>
<b>Accumulated Depreciation and Impairment</b>										
<b>At 1 April 2014</b>	<b>69,031</b>	<b>9,336</b>	<b>22,758</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,570</b>	<b>103,695</b>
Depreciation:										
- charge in year	9,175	1,422	2,431	0	0	0	0	0	17	13,045
- written out to Revaluation Reserve	(1,440)	0	0	0	0	0	0	0	0	(1,440)
- written out to Surplus/Deficit on Provision of Services	(7,118)	0	0	0	0	0	0	0	0	(7,118)
Impairment losses/(reversals):										
- recognised in Revaluation Reserve	5,636	0	0	0	0	0	0	0	0	5,636
- recognised in Surplus/Deficit on Provision of Services	3,971	0	0	0	0	0	0	0	0	3,971
Derecognition:										
- disposals	(12,822)	(1,696)	0	0	0	0	0	0	(263)	(14,781)
- other	0	0	0	0	0	0	0	0	0	0
Reclassifications:										
- Assets Held for Sale	0	0	0	0	0	0	0	0	0	0
- other	(1,061)	0	0	0	0	0	1,061	0	0	0
Other movements in depreciation and impairment	(398)	0	0	0	0	0	(1,061)	0	0	(1,459)
<b>At 31 March 2015</b>	<b>64,974</b>	<b>9,062</b>	<b>25,189</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,324</b>	<b>101,549</b>
<b>Net Book Value</b>										
<b>At 1 April 2014</b>	<b>139,279</b>	<b>3,742</b>	<b>73,837</b>	<b>14,581</b>	<b>5,797</b>	<b>638</b>	<b>42,649</b>	<b>991</b>	<b>17</b>	<b>281,531</b>
<b>At 31 March 2015</b>	<b>105,930</b>	<b>6,006</b>	<b>84,848</b>	<b>14,626</b>	<b>5,784</b>	<b>794</b>	<b>47,221</b>	<b>991</b>	<b>2,312</b>	<b>268,512</b>

Assets are revalued on a five year rolling program. Valuations are brought forward where it is deemed appropriate, e.g. as a result of specific enhancement works, major changes in market conditions, change in use of asset or high value.

The 2015/16 Valuation has been undertaken as at 1<sup>st</sup> of April 2015 by the Estates and Valuation Section of Engie, external valuers, under the direction of:

- Mr Paul Durrant, BSc (Hons) Dip Surv MRICS, Estates & Valuation Manager, Engie
- Mr Christopher Hanson, BSc (Hons) MRICS, Senior Surveyor, Cofely

The authority is required to make the following fair value disclosure in accordance with section 2.10.4 of the Code

### Fair Value Hierarchy

The authority's surplus assets have been valued in accordance with IFRS 13 and have been assessed as Level 3 on the fair value hierarchy for valuation purposes. There are three possible levels of input for valuation purposes and they are defined in IFRS 13 as:

- Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities 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 or liability, either directly or indirectly.
- Level 3 - unobservable inputs for the asset or liability

### Transfers between levels of the Fair Value Hierarchy

There were no transfers between Levels 1 and 2 during the year.

### Valuation Techniques Used to Determine Level 3 Fair Values for Surplus Assets

The inputs for valuation have been categorised against the hierarchy of evidence in accordance with IFRS 13 and rated as level 1, 2 or 3. Where the inputs in a valuation are classed as unobservable this is primarily due to the lack of evidence in the principal or most advantageous market or the number and type of adjustments made, for example adjustments for location, size, repair etc. of a comparable property.

### Reconciliation of Fair Value Measurements

<b>Surplus Assets categorised within Level 3</b>	<b>£'000</b>
Opening Balance 1st April 2015	218
Reclassifications into Level 3	2,292
Reclassifications out of Level 3	0
Transfers into Level 3	0
Transfers out of Level 3	0
Total gains (or losses) for the period included in the Surplus or Deficit on the Provision of Services resulting from changes in fair value	(4)
Additions	0
Disposals	0
Closing Balance 31st March 2016	2,506

Gains arising from changes in the fair value of surplus assets are recognised in the revaluation reserve, unless they reverse a previous impairment charged to the Surplus or Deficit on the Provision of Services. Losses arising from changes in the fair value of the surplus assets reduce any revaluation reserve balance relating to that asset and, thereafter, are recognised in the Surplus or Deficit on the Provision of Services

### Valuation Process for Surplus assets

The Council's surplus assets have been valued as at 31 March 2016 by the authority's partner ENGIE Services Limited in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

## 14. Impairment Losses

The Code of Practice requires disclosure by class of assets of the amounts of impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. The overall movements are disclosed in the Property, Plant and Equipment note to the accounts.

The impairments are recognised as charges to the Comprehensive Income and Expenditure Statement but they are then reversed out through the Movement in Reserves Statement so do not result in a cost to the taxpayer.

During 2015/16 only one asset, Grimsby Leisure Centre, had an impairment loss of more than £2m. This site is included in the Chief Executive section for segmental reporting and the asset was revalued at depreciated replacement cost on completion of the new swimming pool. The revaluation gave an impairment loss of £2.05m.

## 15. Information on Assets Held

Included amongst the assets owned by the Council are the following:

As at 31 March 2015		As at 31 March 2016
21	Administrative Offices	21
11	Allotments	11
35	Car Parks	35
3	Cemeteries and Crematoria	3
15	Children's Centres	15
2	Community Learning Centres	2
6	Dwellings (e.g. caretakers accommodation)	5
5	Day Centres	5
4	Depots (including leased out)	4
9	Enterprise Centres	9
8	Libraries	8
2	Museums and Galleries	2
39	Parks and Open Spaces	39
22	Play Areas	22
12	Public Conveniences	11
3	Residential Homes	3
1	Resource Centres	1
17	Schools	14
6	Sports Centres and Swimming Pools (leased out)	5
3	Supported Housing	3
13	Youth and Community Centres (including leased out assets)	13

The above does not include Foundation, Voluntary Aided, Voluntary Controlled or Academy Schools that have been transferred on a long-term lease. The Havelock Academy was due to transfer to long-term leases during 2015/16 but remained on the Council's balance sheet as at 31 March 2016.

## 16. Assets Held Under Leases

**Vehicles, Plant, Furniture and Equipment** - the Council has previously used winter maintenance, refuse and other vehicles together with miscellaneous equipment financed under terms of an operating lease. The Council's current policy is to purchase outright, however, commitments still existed under former leases in 2015/16. The amount paid under these arrangements in 2015/16 was £0.008m (£0.015m in 2014/15). These figures include payments in respect of vehicles now used under sub licence by NEL Care Trust Plus.

**Land and Buildings** – the Council leases a number of buildings, mainly for office accommodation, that are accounted for as operating leases. The rentals payable in 2015/16 was £0.520m (£0.583m in 2014/15).

The future minimum lease payments due under non-cancellable leases in future years are:

2014/15		2015/16
£'000		£'000
	Leases payable:	
516	- within one year	248
369	- later than one year and not later than five years	155
162	- later than five years	159
<b>1,047</b>		<b>562</b>

The future lease payments for the 2014/15 financial year have been restated

The expenditure charged to the respective services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
583	Minimum lease payments	520
(270)	Sublease payments receivable	(150)
<b>313</b>		<b>370</b>

The Council has minimal outstanding finance leases. All primary rental periods for those assets have concluded.

## 17. Assets Held for Leases

The Council has granted a lease in respect of land at Anthony's Bank Road, Humberston for a period of 99 years commencing from January 1992. The rent charged in 2015/16 was £0.529m (£0.526m in 2014/15).

The future minimum lease payments receivable under non-cancellable leases in future years are:

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
(2,900)	Lease receipts due:	(2,228)
(6,983)	- within one year	(7,221)
(20,049)	- later than one year and not later than five years	(19,665)
<b>(29,932)</b>	- later than five years	<b>(29,114)</b>

## 18. Long-term Debtors

These are sums outstanding which will be repaid over a period of years. The balance is analysed in the following table:

<b>As at 31 March 2015 £'000</b>		<b>As at 31 March 2016 £'000</b>
2	Legi Loans	2
2,348	Empty Homes	2,826
62	Change Loan	53
325	Lincs Inspire	244
<b>2,737</b>		<b>3,125</b>

## 19. Debtors

The debtors and allowance made for bad and doubtful debts can be further analysed as follows:

<b>2014/15 £'000</b>		<b>2015/16 £'000</b>
6,964	CENTRAL GOVERNMENT BODIES	4,162
673	OTHER LOCAL AUTHORITIES	1,866
30	NHS	276
20,018	OTHER ENTITIES	13,508
<b>27,685</b>	<b>Total</b>	<b>19,812</b>
(4,765)	Council Tax & NNDR Impairment Allowance (NELC share)	(4,833)
(5,222)	General Fund	(5,491)
<b>(9,987)</b>		<b>(10,324)</b>

## 20. Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-term		Current	
	31 March 2015	31 March 2016	31 March 2015	31 March 2016
	£'000	£'000	£'000	£'000
Financial Liabilities at Amortised Cost	88,223	94,453	10,279	830
Trade Payables	-	-	9,822	7,907
<b>Total Borrowings</b>	<b>88,223</b>	<b>94,453</b>	<b>20,101</b>	<b>8,737</b>
Loans and Receivables	36	-	22,920	15,081
Trade Receivables	-	-	5,574	3,575
<b>Total Investments</b>	<b>36</b>	<b>-</b>	<b>28,494</b>	<b>18,656</b>

## 21. Financial Instruments – Nature and Extent of Risks

### a) Financial Instruments - Classifications

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

#### Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council.

The Council's non-derivative financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and commercial lenders
- short-term loans from other local authorities
- finance leases detailed in note 20
- guarantees given on financial liabilities of Lincs Inspire Limited
- trade payables for goods and services received

#### Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Council during the year are held under the following classifications.

Loans and receivables (financial assets that have fixed or determinable payments and are not quoted in an active market) comprising:

- cash in hand
- bank current and deposit accounts with Barclays bank
- impaired investments in Icelandic banks
- loans to other local authorities
- loans to Lincs Inspire Limited made for service purposes
- trade receivables for goods and services delivered

Available for sale financial assets (those that are quoted in an active market) comprising:

- money market funds
- treasury bills and gilts issued by the UK Government

## **(b) Financial Instruments - Balances**

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

Counterparty	Credit Rating Criteria Met When Investment Placed	Credit Rating Criteria Met on 31/3/16	Fair Value Level (see Section C below)	Balance Invested as at 31/3/16					
	Yes / No	Yes / No		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	12-24 Months	Total
				£000's	£000's	£000's	£000's	£000's	£000's
UK Deposits	Yes	Yes	1	8,081	0	0	0	0	8,081
Money Market Funds	Yes	Yes	1	7,000	0	0	0	0	7,000
Treasury Bills	Yes	Yes	2	-	0	0	0	0	0

\*£0.325m of loans made for service purposes meet the definition of capital expenditure in the Capital Finance Regulations.

## **(c) Financial Instruments - Fair Values**

Financial assets classified as available for sale and all derivative assets and liabilities are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments would be estimated calculating the net present value of the remaining contractual cash flows at 31<sup>st</sup> March 2016, but no such assets were held at that date.

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31<sup>st</sup> March 2016, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at Zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31<sup>st</sup> March.
- The fair values of financial guarantees have been estimated based on the likelihood of the guarantees being called and the likely payments to be made.
- The fair values of finance lease assets and liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables is assumed to approximate to the carrying amount.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

	Fair Value Level	31 March 2015 Carrying Amount £'000	Fair Value £'000	31 March 2016 Carrying Amount £'000	Fair Value £'000	Effect of 1% rise in interest rates £'000
PWLB Debt	2	46,635	69,848	53,383	78,384	-10,280
Non PWLB Debt	2	41,000	69,118	41,000	69,814	-6,713
Temporary Borrowing	2	10,127	10,127	111	111	-
Bank Overdraft	2	-	-	-	-	-
Trade Payables	2	9,822	9,822	7,907	7,907	-
Total Debt		107,584	158,915	102,401	156,216	-16,993

The fair value of long-term liabilities is higher than the carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

#### **(d) Financial Instruments - Risks**

The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in November 2011).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Department of Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

*Credit Risk:* The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.

*Liquidity Risk:* The possibility that the Council might not have the cash available to make contracted payments on time.

*Market Risk:* The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

#### **Credit Risk: Investments**

The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A- and the UK government. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £3m is placed on the amount of money that can be invested with a single counterparty (other than the UK government). The Council also sets limits on investments in certain sectors.

The table below summarises the credit risk exposures of the Council's investment portfolio by credit rating:

Rating	Amount Invested £'000
AAA	7,000
AA+	5,500
AA	0
AA-	1,500
A+	0
A	1,081
A-	0
BBB+	0
	15,081
Iceland	-69
	15,012

## Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 60% of the Council's borrowing matures in any one financial year.

The maturity analysis of the principal sums borrowed is as follows:

<b>31 March 2015</b>	<b>31 March 2016</b>
<b>£'000</b>	<b>£'000</b>
20,102 Maturity in Less than 1 year (including trade payables)	8,737
152 Maturity in 1 to 2 years	717
432 Maturity in 2 to 5 years	2,098
439 Maturity in 5 to 10 years	3,352
10,224 Maturity in 10 to 20 years	11,262
35,235 Over 20 years	35,235
41,000 Uncertain Date*	41,000
<b>107,584</b>	<b>102,401</b>

For 2015/16 the groupings in the above note have been revised and the 2014/15 comparators restated. This affects the 10 to 15 year and the over 15 year categories. These are now 10 to 20 years and over 20 years

\* The Council has £41m of "Lender's option, borrower's option" (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain.

## Market Risks: Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments classed as "loans and receivables" and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments classed as "available for sale" will be reflected in Other Comprehensive Income and Expenditure.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates.

## Market Risks: Price Risk

The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk.



## 22. Cash and Cash Equivalents

As at 31 March 2015 £'000		As at 31 March 2016	
		£'000	£'000
376	Banks and Building Societies Short-term Deposits	2,928	
9,002	Money Market Funds	7,004	
(712)	Cash and Bank Current Accounts	(1,140)	
8,666	<b>Cash and Cash Equivalents - Current Asset</b>		8,792
0	<b>Cash and Cash Equivalents - Bank Overdraft</b>		0
<b>8,666</b>	<b>Total</b>		<b>8,792</b>

Note: the above includes current assets cash and cash equivalents and the current liability bank overdraft, where appropriate.

## 23. Creditors

As at 31 March 2015 £'000		As at 31 March 2016 £'000
(12,672)	Central Government Bodies	(10,739)
(1,138)	Other Local Authorities	(925)
(2,767)	NHS Bodies	(2,023)
0	Public Corporations	0
(15,681)	Other Entities and Individuals	(13,829)
<b>(32,258)</b>		<b>(27,516)</b>

## 24. Provisions

Details of the Provisions set aside are as follows:

Period	Self Insurance	NNDR Appeal	Other	Total
<b>Balance at 1 April 2014</b>	<b>3,749</b>	<b>2,004</b>	<b>657</b>	<b>6,410</b>
Additional provisions made in year	2,288	6,660	435	9,383
Amounts used in year	(4,362)	(1,949)	(384)	(6,695)
Unused amounts reversed in year	-	-	-	-
<b>Balance at 31 March 2015</b>	<b>1,675</b>	<b>6,715</b>	<b>708</b>	<b>9,098</b>
<b>Estimated to be settled:</b>				
Within one year	449	861	685	1,995
Beyond one year	1,226	5,854	23	7,103
<b>Balance at 31 March 2015</b>	<b>1,675</b>	<b>6,715</b>	<b>708</b>	<b>9,098</b>
<b>Balance at 1 April 2015</b>	<b>1,675</b>	<b>6,715</b>	<b>708</b>	<b>9,098</b>
Additional provisions made in year	1,935	1,844	-	3,779
Amounts used in year	(1,359)	(382)	(306)	(2,047)
Unused amounts reversed in year	-	-	(43)	(43)
<b>Balance at 31 March 2016</b>	<b>2,251</b>	<b>8,177</b>	<b>359</b>	<b>10,787</b>
<b>Estimated to be settled:</b>				
Within one year	879	382	359	1,619
Beyond one year	1,372	7,795	-	9,168
<b>Balance at 31 March 2016</b>	<b>2,251</b>	<b>8,177</b>	<b>359</b>	<b>10,787</b>

The purposes for the main provisions held at 31 March 2016 are as follows:

**Self-Insurance** - to obtain insurance in the most cost effective manner, the Council has chosen to carry excesses in respect of claims under various insurance policies covering property, public liability and employer's liability, subject to an annual review of the appropriate level at which any 'stop-loss' arrangements apply. The amount set aside to cover the uninsured risks at 31 March 2016 is based on the assessed liability in respect of known claims at that date. Municipal Mutual Insurance has been fully settled and provision of £0.448m has been utilized.

**NNDR Appeal** - The new arrangements for the business rates came into effect on 1 April 2013. Billing authorities acting as agents on behalf of the major preceptors (1%), central government (50%) and themselves (49%) are required to make provisions for potential successful appeals against the rateable value of their properties on the rating list.

**Other** - this covers a number of smaller provisions that are held to account for potential liabilities that are likely to result in a payment having to be made by the Council but for which the timing and amount is currently uncertain.

## 25. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or pays pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has to meet them. The statutory arrangements will ensure that the funding will have been set aside by the time the benefits come to be paid.

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
<b>181,164</b>	<b>Balance at 1 April</b>	<b>206,003</b>
22,663	Actuarial gains or losses on pensions assets and liabilities	(30,483)
13,231	Charged to the Surplus or Deficit on the Provision of Services	11,778
(11,055)	Employer's pensions contributions and direct payments to pensioners payable in the year	(10,862)
<b>206,003</b>	<b>Balance at 31 March</b>	<b>176,436</b>

## 26. Trust Funds

The Council administers various funds that are not included within the Council's Balance Sheet. These include the Charter Trustees for Grimsby and Cleethorpes (precepting bodies set up to preserve the historic rights and memorabilia of the former boroughs of Grimsby and Cleethorpes). There are a further 10 miscellaneous funds that retained balances at 31 March 2016. The movements on which during the year were as follows:

<b>2014/15</b>		<b>Charter Trustees</b>	<b>2015/16</b>	
<b>Total</b>		<b>£'000</b>	<b>Other Funds</b>	<b>Total</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
256	Opening Balance as at 1 April	160	49	209
(56)	Expenditure during the year	(146)	(2)	(148)
9	Income during the year	75		75
<b>209</b>	<b>Closing balance as at 31 March</b>	<b>89</b>	<b>47</b>	<b>136</b>

2014/15 Comparators have been restated

## 27. Usable Reserves

### Earmarked Reserves

The Council has earmarked reserves for specific purposes which are detailed below:

<u>As at</u> <u>1st</u> <u>April</u> <u>2014</u> <u>£'000</u>	<u>Movement in</u> <u>Year</u> <u>£'000</u>		<u>As at</u> <u>1st</u> <u>April</u> <u>2015</u> <u>£'000</u>	<u>Movement in</u> <u>Year</u> <u>£'000</u>	<u>As at</u> <u>1st</u> <u>April</u> <u>2016</u> <u>£'000</u>
5,551	0	Self Insurance	5,551	(1,290)	4,261
3,873	(317)	IFRS Revenue Grant	3,556	1,832	5,388
3,050	(3,050)	Capital Investment Reserve	0	0	0
3,372	(2,193)	Medium Term Financial Plan	1,179	(522)	657
2,942	(1,548)	Past Service Pension Reserve	1,394	(400)	994
2,914	0	Debt Financing Reserve	2,914	(71)	2,843
3,536	(846)	Management of Change	2,690	(890)	1,800
1,815	(186)	Clinical Commissioning			
2,000	0	Group Strategic Priorities	1,629	0	1,629
1,746	(599)	Adult Social Care Transition			
975	(275)	Funding	2,000	(564)	1,436
802	(802)	Health & Well Being Board			
0	0	Public Health Priorities	1,147	(627)	520
671	0	Transformation Programme	700	990	1,690
0	0	Pensions	0	0	0
671	0	IFRS Capital Grant	0	0	0
0	5,703	Adult Social Care Planned underspend	671	0	671
750	3,000	Business Rates Reserve	5,703	(1,445)	4,258
6,861	(875)	NNDR Section 1 Grant	3,750	(3,750)	0
5,708	(937)	Reserve	5,986	46	6,032
		Service Specific Reserve - Chief Executive	4,771	233	5,004
		Service Specific Reserve - Deputy Chief Executive			
<b>46,566</b>	<b>(2,925)</b>		<b>43,641</b>	<b>(6,458)</b>	<b>37,183</b>

**Self-Insurance** - an assessment has been produced of the number of claims, where settlement is likely, made under the Council's self-insurance policy as at 31 March 2016. This forms the basis of the provision which has been set aside (Note 24). The balance of monies held in respect of self-insurance has been credited to the above Earmarked Reserve.

**IFRS Revenue Grant Reserve** - under IFRS changes, revenue grants that do not have outstanding conditions attached at the year-end must be recognised as income immediately, even if specific plans and restrictions for spending the grant are in place. These grants are now carried forward and utilised through this earmarked reserve to ensure that it can continue to be used to match future service spending plans.

**Capital Investment Reserve** – the reserve has been created from the consolidation of other reserves set aside for investment in capital priorities, including resources previously set aside for a replacement Ice Rink. This reserve will be drawn down to support funding of the Capital Programme.

**Medium Term Financial Plan** - reserve established to manage and mitigate risk over the Medium Term Financial Planning period including delivery of the strategic cost reduction and transformation programmes and potential volatility arising from the localization of business rates.

**Past Service Pension Costs** - the Council makes an annual contribution towards pension liabilities for the past service of staff that transferred to Care Trust Plus. As a result of the latest actuary review the current estimate for these past service costs has fallen against original estimates. This prior year surplus has been set aside to cover future fluctuations in these liabilities.

**Debt Financing Reserve** - to mitigate the risks associated with treasury management activity (cash flow, interest rate volatility, debt restructuring and use of internal borrowing) and to cushion the increasing debt management costs in the Medium Term Financial Plan.

**Management of Change** - reserve in respect of the costs of managing organisational change in particular those that arose from the Future Shape Programme and the future costs of the Transformation Programme (Outcome Reviews).

**North East Lincolnshire Clinical Commissioning Group Strategic Priorities** - reserve set aside to support CCG priorities.

**Adult Social Care Transition funding** – transition funding to mitigate the impact of loss of NHS grant in future years.

**Health and Well Being Board Public Health Priorities** - reserve established to support public health priorities.

**Transformation Reserve (formerly Future Shape Reserve)** – funding set aside to support delivery of the Council's transformation programme

**Pensions** - reserve established for potential additional pension liabilities.

**IFRS Capital Grant Reserve** - under IFRS capital grants that do not have outstanding conditions attached at the year-end must be recognised as income immediately, even if specific plans and restrictions for spending the grant are in place. These grants are now carried forward and utilised through this earmarked reserve to ensure that it can continue to be used to match future capital investment plans.

**Service Specific Reserves** - a number of service specific reserves were established in respect of a programme of projects that met a service need identified since the MTFP was approved or was planned/committed spending that was not completed during 2015/16. Due to the restructure, the opening balance and movement from Resources, People and Place has been amalgamated into the balance within Chief Executive and Deputy Chief Executive.

**Business Rates Reserves** - Business Rate is a specific reserve to account for the potential shortfall in the Collection Fund deficit as result of various elements including significant number of outstanding appeals against rateable value. Potential Safety net payment due from DCLG is also credited to the reserve.

## 28. General Fund Balance

The General Fund Balance is made up of two separate elements:

- **General Fund Reserve** - this fund includes any surplus after meeting net expenditure on the Council's services.
- **Individual Schools Budget Reserve** - this balance is comprised of unspent revenue balances of schools and other educational establishments at the year-end, which may be applied in the following year. The balances are not available for general use.

As at 1 April 2014 £'000	Movement in year £'000	As at 31 March 2015 £'000		As at 1 April 2015 £'000	Movement in year £'000	As at 31 March 2016 £'000
9,801	-	9,801	General Fund Reserve	9,801	(1,501)	8,300
7,033	1,787	8,820	Individual Schools Budget Reserve	8,820	(1,494)	7,326
<b>16,834</b>	<b>1,787</b>	<b>18,621</b>	<b>General Fund Balance</b>	<b>18,621</b>	<b>(2,995)</b>	<b>15,626</b>

## 29. Long-term Contracts

### Engie (previously known as Balfour Beatty Workplace and Cofely)

On the 23 April 2010 the Authority entered into a 10 year Strategic Partnership with Balfour Beatty for the provision of Highways, Planning, Regeneration, Facilities Management and Strategic Housing services with services commencing on 1 July 2010. The Council has agreed to extend the contract term by 2 years in accordance with Section 4 of the Services Agreement.

The contract is an outcomes based contract which requires Engie to achieve a series of performance targets during the contract term for which service credits can be paid back to the Authority if they are not met.

The initial value of the contract over the 10 years was £155 million of which payments of £11.7 million were made in 2015/16. Contract payments are revised annually for both inflation and efficiencies identified by the partnership, in accordance with the terms of the Services Agreement

## Lincs Inspire Ltd (LIL)

LIL are responsible for the provision of the following services:

- Statutory Library Services and Northern Lincolnshire Public Archives Services
- Leisure Centres, KGV Stadium, Bradley Football Centre, Ormiston Academy Sports Service
- Sports and Development Service
- Grimsby Auditorium entertainment and cultural development programme

In April 2013, LIL became a wholly owned subsidiary of NELC, then in April 2015 LIL became an independent not for profit organisation. On the 1<sup>st</sup> May 2015, the council then entered into a 25 year contract with LIL.

LIL are currently in the final stages of gaining charitable status.

LIL deliver and improve outcomes via a rolling three year business plan. In 2015/16 they received £2.9m of contract payments from the council, £1.4m of this relates to Statutory Service Grant (Libraries/Archives).

## Newlincs

The authority has a 25 year waste management contract with Newlincs Development Ltd. This has been extended by five years and runs until 2029. The current annual value is estimated at £6m per annum.

## SERCO

On the 1 September 2011 the Authority entered into a 5 year strategic partnership with Serco, at a contracted cost of £1.8m per year, for the provision of school improvement services and the strategic management of special educational needs (SEN) and inclusion services. The annual contract cost in 2015/16 was £1.4m. On the 31<sup>st</sup> March 2016 Serco and the Council agreed to mutually terminate the contract. All services have been returned to the council.

## Financial Relationship with Clinical Commissioning Group

Following NHS reforms in 2013, the CTP was abolished and the council entered into a new section 75 agreement with the Clinical Commissioning Group in North East Lincolnshire for the delivery of adult social care and mental health services. The value of this work is now approximately £40m. The previous legal agreement was re-written to reflect the fact that the council now has direct responsibility for the delivery of public health and health improvement functions. In addition, the council had to reflect the fact the arrangements for children's health services were to be commissioned differently. A separate section 75 agreement has been entered into by the council with NHS England to enable the council to continue to commission certain children's health services.

## Lincolnshire Partnership Foundation Trust (LPFT)

On the 1<sup>st</sup> April 2016 NELC entered into a first of a possible two one year extensions to the contract with Lincolnshire Partnership Foundation Trust (LPFT) for the provision of Specialist Child & Adolescent Mental Health services.

## 30. Capital Expenditure and Sources of Finance

The following table indicates total capital expenditure incurred and how this was financed:

2014/15 £'000		2015/16 £'000	2015/16 £'000
<b>134,629</b>	<b>Opening Capital Financing Requirement</b>		<b>142,894</b>
	<b>Capital Investment:</b>		
24,874	Property, Plant and Equipment	22,588	
22	Investment Property	752	
1,219	Long-term Debtors - capital loans	597	
5,226	Revenue Expenditure Funded from Capital Under Statute	4,417	
<b>31,341</b>			<b>28,354</b>
	<b>Less Sources of Finance:</b>		
(1,346)	Capital Receipts	(340)	
(12,527)	Government Grants and Other Contributions	(12,692)	
	Sums Set Aside from Revenue:		
(3,560)	Direct Revenue Contributions	(273)	
(5,643)	Minimum and Voluntary Revenue Provision	(5,805)	
<b>(23,076)</b>			<b>(19,110)</b>
<b>142,894</b>	<b>Closing Capital Financing Requirement</b>		<b>152,138</b>
<b>Memo</b>			
88,512	Capital Financing Requirement Funded Externally		95,890
54,382	Capital Financing Requirement Funded Internally		56,248
<b>142,894</b>			<b>152,138</b>
	<b>Explanation of movements in year:</b>		
8,265	Increase/(decrease) in Underlying Need to Borrow (unsupported by Government financial assistance)		9,244
<b>8,265</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>		<b>9,244</b>

### 31. Commitments under Capital Contracts

At 31 March 2016, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years. Of these contracts, those considered to be major contracts are those having outstanding commitments in excess of £1.0m. As at 31 March 2016, two contracts met this criteria.

	<b>2016/17 and Future Years £'000</b>
Town Centre LEP Works	1,216
Cartergate Office Development	5,193
<b>Total</b>	<b>6,409</b>

### 32. Revenue Expenditure Funded from Capital Under Statute

Certain expenditure incurred by the Council, such as housing renovation grants, does not result in assets controlled by the Council. This expenditure should therefore be charged to revenue in the year in which the expenditure is incurred. However legislation allows such expenditure to be classified as capital to enable it to be funded from capital resources. The following table details the revenue expenditure funded from capital:

<b>2014/15 £'000</b>		<b>2015/16 £'000</b>
3,331	Spending on schools not owned by the Council	1,197
1,648	Housing Assistance/Disabled Facilities Grants	1,472
247	Spending on other assets not owned by the Council	1,748
<b>5,226</b>	<b>Total</b>	<b>4,417</b>

### 33. Capital Receipts Reserve

The Capital Receipts Reserve represents the capital receipts available to finance capital expenditure in future years:

<b>2014/15 £'000</b>		<b>2015/16 £'000</b>
<b>(71)</b>	<b>Balance of Usable Receipts as at 1 April</b>	<b>(170)</b>
(1,483)	Add in-year receipts	(199)
1,346	Less utilised to finance capital expenditure	340
34	Less utilised to finance disposal costs	16
4	Less pooled capital receipts	
<b>(170)</b>	<b>Balance of Usable Receipts as at 31 March</b>	<b>(13)</b>

### 34. Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- re-valued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Whilst these gains arising from revaluations increase the net worth of the Council they would only result in an increase in spending power if the relevant assets were sold and capital receipts generated.

2014/15 £'000		2015/16 £'000	£'000
<b>(42,335)</b>	<b>Balance at 1 April</b>		<b>(35,666)</b>
(4,899)	Upward revaluation of assets	(21,041)	
5,696	Downward revaluation of assets and impairment not charged to the Surplus/Deficit on the Provision of Services	3,970	
<b>797</b>	<b>Surplus or deficit on revaluation of non current assets not posted to the Surplus/Deficit on the Provision of Services</b>		<b>(17,071)</b>
2,429	Difference between fair value and historical cost depreciation	1,705	
-	Difference between fair value and historical cost adjustment	2,604	
3,443	Accumulated gains on disposal of assets	1,952	
<b>5,872</b>	<b>Amount written off to the Capital Adjustment Account</b>		<b>6,261</b>
<b>(35,666)</b>	<b>Balance at 31 March</b>		<b>(46,476)</b>

### 35. Capital Adjustment Account

The Capital Adjustment Account represents timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical basis). The Account is credited with the amounts set aside by the Council to finance these costs.

The Account also contains accumulated gains and losses on Investment Properties, gains recognised on donated assets and revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007 (the date that the Revaluation Reserve was created to hold such gains).

2014/15 £'000		2015/16 £'000	£'000
<b>(106,142)</b>	<b>Balance at 1 April</b>		<b>(92,303)</b>
	Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:		
13,028	- charges for depreciation and impairment of non current assets	2,590	
3,972	- revaluation losses on Property, Plant and Equipment	14,080	
(30)	- revaluation (Gains)/Loss on Assets Held for Sale	4	
17	- amortisation of Intangible Fixed Assets	576	
5,226	- Revenue Expenditure Funded from Capital Under Statute	4,417	
445	- Write down of carrying value on capital loan repayment	119	
19,050	- amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	9,982	
<b>(5,872)</b>	<b>Adjusting amounts written out of the Revaluation Reserve</b>	<b>(6,262)</b>	
<b>35,836</b>			<b>25,506</b>
	Capital financing applied in the year:		
(1,346)	- use of capital receipts	(340)	
(12,527)	- capital grants and contributions	(12,692)	
(5,374)	- Minimum Revenue Provision for Repayment of Debt	(5,661)	
(269)	- Voluntary Revenue Provision for Repayment of Debt	(143)	
(3,560)	- capital expenditure charged to the General Fund	(273)	
<b>(23,076)</b>			<b>(19,109)</b>
1,079	Movements in the market value of investments		3,337
<b>(92,303)</b>	<b>Balance at 31 March</b>		<b>(82,569)</b>

### 36. Collection Fund Adjustment Account

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

#### Council Tax

2014/15 £'000		2015/16 £'000
<b>21</b>	<b>Balance at 1 April</b>	<b>(312)</b>
(333)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income collected for the year in accordance with statutory requirements	(700)
<b>(312)</b>	<b>Balance at 31 March</b>	<b>(1,012)</b>

#### NNDR

2014/15 £'000		2015/16 £'000
<b>2,009</b>	<b>Balance at 1 April</b>	<b>9,128</b>
7,119	Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from Business Rates income collected for the year in accordance with statutory requirements	(8,174)
<b>9,128</b>	<b>Balance at 31 March</b>	<b>954</b>

### 37. Contingent Liabilities

A contingent liability is defined as a commitment, possibly not determined, which the Council may have to face and which has not yet been accounted for. Examples include legal proceedings, damages, guarantees, claims under contract, wages, disputes etc.

Contingent liabilities include:

(i) Macaulay Lane contaminated land – the contingent liability (as successor in title to the polluter) of in excess of £10m is offset by a settlement agreement in which P&O guarantee to cap and contain the contaminants in situ. Given the passage of time since the original settlement agreement (8 years) and the acquisition of P&O by the Dubai World Group, discussions are ongoing with P&O to further protect the Council's position.

(ii) The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the business rates came into effect on 1 April 2013. Billing authorities acting as agents on behalf of the major preceptors (1%) and Central Government (50%), and themselves (49%) are required to make provisions for refunding ratepayers who have successful appeals against the rateable value of their properties on the rating list.

The Council has included a provision of £8.2m (the overall provision in the Business Rates Collection Fund is £16.7m and this Council's share of the Local Business Rates Retention scheme is 49%) for a total outstanding liability value of £165m on the 31 March 2016. However, local businesses can still appeal against the Rateable Value on the 2010 Rating list until 31 March 2017. Therefore there are a number of future financial years where the cost of successful appeals could impact on the Council's Financial Statements.

There is likely to be further backdated claims, but it is difficult to estimate the likelihood of businesses both submitting and being successful with any new appeals and therefore the Council has made no further provision in the accounts.



## Contingent Assets

The Council submitted a claim for “overpaid” VAT dating back to the early 1970’s based on the outcome of well-known VAT litigation “the Fleming case” which meant that certain items previously deemed to be Standard rated were considered to be exempt or outside the scope of VAT. Due to the age of these purchases, the Council has lodged significant claims of potential VAT refunds and compound interest with HMRC. Although the Court has decided in favour of Council claims, HMRC will be appealing against the verdict and the outcome of the compound interest claim is dependent on the pending appeal. If decided in favour, the Council is expecting a receipt of 5 times the value of simple interest, which would equate to a claim of approximately £5m.

## 38. Exit Packages

This note identifies exit package payments, such as redundancy and pension strain costs, that have been made by the Council in 2014/15 and 2015/16 and which includes schools staff –

2014/15				2015/16				
Compulsory		Other		Banding	Compulsory		Other	
No. of Employees	Cost £'000	No. of Employees	Cost £'000		No. of Employees	Cost £'000	No. of Employees	Cost £'000
37	278	69	486	Up to £20,000	10	94	52	365
8	226	4	102	£20,001 - £40,000	5	118	9	260
1	88	2	162	£40,001 - £250,000	2	130	3	203
46	592	75	750		17	342	64	828

The figures charged to the accounts include some estimated amounts of exit package payments as at 31 March each year. As a result, differences will occur between costs charged to the accounts and payments ultimately made to individuals.

This is mostly due to employees finding alternative employment, either internally or externally, prior to anticipated redundancy.

## 39. Agency Income and Expenditure

The Council provides Payroll Services for a number of academy schools. It pays the academy school employees and related deductions to third parties for such items as tax, national insurance and pension contributions and then these are charged back to the schools. Other than the fees received for providing the service the related income and expenditure is excluded from the Council's cost of services. This amounted to approximately £14.046 m in 2015/16. The increase from 14-15 to 15-16 is due to one academy being paid for part of 2014-15 and one new academy.

## 40. Authorisation of Accounts for Issue

The 2015/16 final accounts were authorised for issue by Sharon Wroot, Chief Finance Officer, on 30<sup>th</sup> June 2016.

## 41. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2014/15		2015/16
£'000		£'000
(203)	Interest received	7
3,896	Interest paid	3,932
<b>3,693</b>	<b>31 March</b>	<b>3,939</b>

#### 42. Cash Flow Statement – Adjustments to Net Surplus or Deficit on the Provision of Services for Non Cash Movements

2014/15 £'000		2015/16 £'000
<b>Non Cash Transactions</b>		
16,987	Depreciation, Amortisation, Impairment and Downward Valuations	17,251
2,176	Pension Liability	916
16	(Increase)/Decrease in Inventories	67
(1,829)	(Increase)/Decrease in Debtors	4,316
6,822	(Decrease)/Increase in Creditors	(9,622)
19,496	Carrying amount of non current assets sold	10,101
3,848	Other Non Cash Transactions	5,037
<b>47,516</b>		<b>28,066</b>

#### 43. Cash Flow Statement – Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities

2014/15 £'000		2015/16 £'000
<b>Investing Activities</b>		
(12,955)	Credited to Surplus or Deficit on Provision of Services	(12,777)
(1,477)	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(199)
<b>(14,432)</b>		<b>(12,976)</b>

#### 44. Better Care Fund

##### Pooled Budgets for Health and Social Care

The Better Care Fund is a government plan to integrate health and social care by 2020, which is implemented via a Section 74 pooled budget arrangement. This Authority is a partner within the pooled budget with the North East Lincolnshire CCG (NELCCG).

This funding requires the Council and its health partners to agree how the money should be used to support social care activity that also has a health benefit. In accordance with national requirements NELC submitted its better care plan as to how it would use funding to improve its citizen's lives, and monitoring reports continue to be submitted detailing progress by the Clinical Commissioning Group (CCG). Focus remains on the seven integrated projects including, single point of access, extra care housing, preventative services, community equipment, GP/care home alignment, seven day working and Just Checking.

Details of the pool income and expenditure are as follows:

2014/15		2015/16	
£'000	£'000	£'000	£'000
<b>Contributions to the Pooled Budget</b>			
-	North East Lincolnshire CCG (NELCCG)	(11,246)	
-	North East Lincolnshire Council (NELC)	(1,582)	
			(12,828)
<b>Expenditure met from the Pooled Budget</b>			
-	North East Lincolnshire CCG (NELCCG)	-11,246	
-	North East Lincolnshire Council (NELC)	-1,436	
			-12,682
			<b>(146)</b>

## 45. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions to be applied.</p>	<p>Based on the assumptions applied, during 2015/16 the Council's actuaries advised that the net pension liability had decreased by £29.6m.</p> <p>However, variations in the key assumptions will have the following impact on the net liability:</p> <ul style="list-style-type: none"> <li>• A 0.5% decrease in the discount rate will increase the net pension liability by approximately £52.4m</li> <li>• A 1 year increase in member life expectancy will increase the net pension liability by approximately £16.3m</li> </ul>
National Non Domestic Rates (NNDR) Provision	The council set aside, from its collection fund, £16.7m as a provision against the cost of the future settlement of current appeals outstanding against NNDR rateable values. The council's share of this provision of £8.2m is shown in Note 24.	The impact of appeals is highly uncertain and outside of the control of the council.
Debt Impairment	At 31 March 2016, the authority had a balance of sundry debtors of £4.5m. A review of significant balances suggested that an impairment of doubtful debts of £1.4m was appropriate. However it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1.4m to be set aside as an allowance.
Fair Value Measurement	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value. Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in Notes 12, 13 and 21.</p>	<p>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels, occupancy levels and others.</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurements.</p>
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase in these circumstances.

## **46. Accounting Standards Issued, Not Adopted**

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 Code:

- IAS 1 Presentation of Financial Statements. This standard provides guidance on the form of the financial statements. The 'Telling the Story' review of the presentation of the Local Authority financial statements, as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative, will result in changes to the format of the accounts in 2016/17. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and a new Expenditure and Funding Analysis will be introduced.
- Other changes due to Annual Improvement to IFRSs cycles, IFRS11 Joint arrangements, IAS 16 Property Plant, Equipment, IAS 38 Intangible Assets and IAS 19 Employee Benefits are minor and are not expected to have a material effect on the Council's Statement of Accounts.

As the Code requires implementation from 1 April 2016 there is therefore no impact on the 2015/2016 Statement of Accounts.

# COLLECTION FUND

## INCOME AND EXPENDITURE ACCOUNT

2014/15			2015/16		
£'000		Note	£'000		
			NNDR	CT	Total
Income					
(62,379)	Council Tax			(64,621)	(64,621)
(61,669)	Business Tax Receiveables		(68,047)		(68,047)
932	Transitional Protection Payment		(822)		(822)
87	Enterprise Zone Relief		(66)		(66)
-					-
(123,029)	Total Income		(68,935)	(64,621)	(133,556)
Expenditure					
Apportionment of Previous Year Surplus					
-	Central Government		(10,582)		(10,582)
154	NELC		(10,370)	253	(10,117)
21	Fire Authority		(212)	16	(196)
9	Police			35	35
184			(21,164)	304	(20,860)
Precept Demand					
32,629	Central Government		34,102		34,102
82,775	NELC	4	33,420	52,643	86,063
3,716	Fire Authority		682	3,129	3,811
6,944	Police			7,231	7,231
126,064			68,204	63,003	131,207
Charges to Collection Fund					
858	Write off of Uncollectable amounts		2,564	264	2,828
201	Change in Bad Debt Provision		(259)	218	(41)
(1,949)	Appeals charged to Appeals Provision		(780)		(780)
11,562	Change in Provision for Appeals		3,764		3,764
239	Less: Cost of Collection		236		236
10,911			5,525	482	6,007
137,159	Total Expenditure		52,565	63,789	116,354
14,130	(Surplus) / Deficit for the year		(16,370)	(832)	(17,202)
Collection Fund (Surplus)/Deficit					
4,127	Balance as at 1 April		18,629	(372)	18,257
14,130	Movement in Year		(16,370)	(832)	(17,202)
18,257	Balance as at 31 March	5	2,259	(1,204)	1,055

# NOTES TO THE COLLECTION FUND

## 1. General

This Account represents the transactions of the Collection Fund, a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income relating to council tax and national non-domestic rates (NNDR) on behalf of those bodies (including the Council) for whom the income has been raised. The costs of administering collection are accounted for in the General Fund.

## 2. National Non-Domestic Rates

Non-Domestic Rates are determined on a national basis by Central Government which sets an annual non-domestic rating multiplier amounting to 49.30p in 2015/16 (48.20p in 2014/15). The non-domestic rate multiplier for small businesses is 48.0p in 2015/16 (47.1p in 2014/15). Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by this multiplier. Local rateable values were £161.6m in 2015/16 (£161.2m in 2014/15).

Historically business rates income was collected by the Council and paid into a central government 'pool' from which Councils then received a grant back, based upon population size.

From FY 2013/14 NELC now receives this funding partly through government grants and partly through a proportion of the business rates income that it collects.

The cash collectable by NELC from non-domestic rating income is now shared in following proportion

Government	- 50%
NELC	- 49%
Fire and Rescue Services	- 1%

The Council would receive a 49% share of any additional income generated from an expansion of the business rate tax base up to the amount of its top up grant. The top up grant, of approximately £3.5m, is provided by central government to ensure that the Council would not be worse off at the start of this new scheme.

## 3. Council Tax Base

Income from council tax is derived from charges raised according to the value of residential properties, which have been classified into valuation bands using estimated values as at 1 April, 1991. The tax base calculation is based upon the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts and exemptions. Individual charges are calculated by estimating the amount of income required to fund the demands on the Collection Fund and dividing this by the tax base.

The number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings is detailed below:

2014/15							
Number of chargeable Dwellings	Band D Equivalent Dwellings	Average Council Tax £	Council Tax Band (ratio to Band D)		Number of chargeable Dwellings	Band D Equivalent Dwellings	Average Council Tax £
43.80	24.30	713.83	AR	5/9	42.80	23.79	727.92
22,115.71	14,743.90	856.60	A	6/9	22,859.70	15,239.82	873.51
13,698.80	10,654.80	999.36	B	7/9	13,893.30	10,805.87	1,019.09
7,333.31	6,518.40	1,142.13	C	8/9	7,382.60	6,562.34	1,164.68
4,309.22	4,309.30	1,284.90	D	9/9	4,401.40	4,401.42	1,310.26
1,772.15	2,166.00	1,570.43	E	11/9	1,800.30	2,200.32	1,601.43
650.50	939.60	1,855.96	F	13/9	660.60	954.24	1,892.60
387.79	646.40	2,141.49	G	15/9	393.70	656.22	2,183.77
21.50	43.00	2,569.79	H	18/9	22.50	45.00	2,620.52
50,332.78	40,045.70				51,456.90	40,889.02	

The 2014/15 average council tax figures have been restated

#### 4. Council Tax Parish Precept and Charter Trustees

North East Lincolnshire Council's requirement includes parish precepts and Charter Trustees precept:

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
49,894	North East Lincolnshire Council	52,059
565	Parish Precepts	537
9	Charter Trustees	47
<b>50,468</b>	<b>Total</b>	<b>52,643</b>

#### 5. Collection Fund Deficit

The Deficit on the Collection Fund at the year-end is partly attributable to the Council and partly attributable to precepting authorities (Police and Fire). The Collection Fund deficit is therefore disaggregated in the Balance Sheet to reflect the Council's share and the preceptors' shares of the Deficit. However, the preceptors' shares represent arrears as reduced by prepayments, allowances for bad debts and preceptors' shares of the deficit.

##### Council Tax

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
19	Current Asset - (Debtors)/Creditor (Fire Authority share)	(58)
41	Current Asset - (Debtors)/Creditor (Police Authority share)	(134)
312	Equity - Collection Fund Adjustment Account (Council's share)	(1,012)
<b>372</b>	<b>Total</b>	<b>(1,204)</b>

##### Business Rates

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
186	Current Asset - (Debtors)/Creditor (Fire Authority share)	23
9,315	Current Asset - (Debtors)/Creditor (Central Govt share)	1,129
9,128	Equity - Collection Fund Adjustment Account (Council's share)	1,107
<b>18,629</b>	<b>Total</b>	<b>2,259</b>

# Annual Governance Statement 2015/16

## 1. Scope of Responsibility

North East Lincolnshire Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is required to put in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*, including its six key principles:

This framework is based upon the following six core principles of good governance:

1. focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
2. members and officers working together to achieve a common purpose with clearly defined function and roles;
3. promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
4. taking informed and transparent decisions which are subject to effective scrutiny and managing risks;
5. developing the capacity and capability of Members and Officers to be effective; and
6. engaging with local people and other stakeholders to ensure robust public accountability.

A copy of the authority's code is included within the constitution and is shown on our website at:

<https://www.nelincs.gov.uk/councillors-and-democracy/decision-making/the-constitution/>

The Annual Governance Statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit Regulations 2015, regulation 10(1), which requires all relevant bodies to prepare an annual governance statement.

### The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and those activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at North East Lincolnshire Council for the year ended 31 March 2016 and up to the date of approval of the statement of accounts.

## 2. The Governance Framework

The key elements of the Council's governance framework are based on the guidance provided by the Chartered Institute for Public Finance and Accountancy (CIPFA) "Delivering Good Governance in Local Government (Addendum)" (December 2012)

In summary, the key areas are:

- Arrangements for setting, promoting, and monitoring the achievement, of the Council's vision and objectives;
- Arrangements for the achievement of Value for Money;
- Decision making processes;
- Financial management;



- Risk Management;
- Conduct and Fraud;
- Partnership Governance;
- Information Governance;
- The management of change and transformation;
- Complaints handling;
- Internal Audit, including the effectiveness of the Audit and Governance Committee;
- Consultation and Community engagement;
- Member and Workforce development;
- Clinical Governance;
- Environmental Sustainability; and
- Health and Safety.

In addition, in March 2015 the Council adopted the CIPFA code for “*Managing the risk of fraud*”, under which there is an expectation to confirm adherence with the code in the Annual Governance Statement.

### 3. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review of effectiveness is informed by:

- self-assessments against the key elements of the governance framework referred to above;
- a survey of service managers to identify their understanding of the Council’s control environment, and to identify any significant control weaknesses identified within their service;
- internal audit reports, including specific cyclical audit reviews on those areas which are part of the governance framework;
- the corporate risk register;
- issues identified by the external auditor or other external inspectorates;
- issues identified by members of the Leadership Team during the year;
- Development of the Council’s Outcome Based Accountability Framework;
- an annual report of the Council’s VfM arrangements
- the annual report of the Scrutiny Committees;
- the annual review of the constitution;
- an annual review of the Council’s financial management arrangements against the CIPFA statement “The Role of the Chief Financial Officer in Local Government”;
- annual review of the risk and opportunities framework, and regular review of the strategic risk register by the Audit Committee
- an annual review of the Council’s compliance with the CIPFA “*code for Managing the risk of fraud*” as reported in the Annual Fraud Report. This review concluded that the Council was compliant in all material respects, although it identified opportunities, as part of the setting up of the new fraud team within the Audit and Assurance service, to strengthen our arrangements to prevent and detect fraud against the Council as well as the application of sanctions against those who have committed fraud;
- review and update of the Partnership Protocol;
- an annual report in relation to information governance prepared by the Information Security and Assurance Board
- quarterly reporting of complaints and compliments to Cabinet;
- an annual assessment of Internal Audit’s compliance with Public Sector Internal Audit Standards, and the CIPFA document “The Role of the Head of Internal Audit”
- an annual assessment of the effectiveness of the Audit and Governance Committee against expected standards as identified by CIPFA.
- A corporate wide clinical governance group to lead on clinical governance and review clinical governance related issues and instances;
- external assessment of workforce development through “Investors in People” award ; and
- A Health and Safety Group meets quarterly and reports on health and safety issues.
- In addition the Health and Safety team won the ROSPA “Gold Award” in 2016- sixth consecutive competitive year

The assessment also includes the monitoring of action plans in relation to control weaknesses identified in previous years. In 2014/15, partnerships, information governance, environmental sustainability, and programme/ project management were identified as areas for development in the Council’s governance framework. Although there have been developments in each of these areas in 2015/16 it is recognised that they remain key areas for focus as discussed in section 4 of this statement.

## 4. Conclusion

We have been advised on the implications of the result following the review of the effectiveness of the governance framework by the Audit and Governance Committee and that the arrangements **continue to be regarded as “fit for purpose” in accordance with the governance framework**. The key areas for focus and further development are outlined below:

- **Environmental Sustainability:** Whilst work continues on an environmental sustainability framework it has been recognised in the first instance the Council should produce and publish a high level policy statement laying its overall approach to environmental sustainability and its future aspirations. This high level policy was approved by Cabinet in June 2016. A series of key performance indicators will now be developed, informed by the outcome of an internal audit and Scrutiny, as part of an annual monitoring and reporting regime. This now sets the context for the delivery of the Council's commissioning priority “energy”. The scope, vision and ambitions for this project have also been approved by Cabinet in June 2016. The Energy and Carbon Board are exploring proposals to implement an ISO standard carbon reporting protocol. A number of energy efficiency measures have already been installed across the Council's estate, including solar panels and efficient LED street lighting. The business case for further investment is being developed.
- **Highways/ A18:** Assurance on the technical delivery of the Highways Management function which sits within the Council's Services Agreement with Engie is in the process of being obtained through the commissioning of external experts, W S Atkins plc (Atkins). Atkins have been briefed to comment on all aspects of this activity from the strategic and documentary framework through to operational delivery on the highways themselves. Atkins have further been briefed to comment on the frequency upon which they should return to carry out periodic technical assurance. The tragic deaths of 5 members of the Cockburn family on the A18 on 12 April 2013 were considered at a Coroner's Inquest in March 2016. In addition to determining the causes of death, HM Coroner issued a report on the Prevention of Future Deaths. This report places requirements on the Council to procure a report on a potential highways improvement scheme aimed at bringing a relevant section of the A18 up to the standard of a newly constructed highway of this class. A project team has been implemented and AECOM (highways design, safety and technical experts) have been jointly commissioned by NELC and ENGIE to carry out this activity in accordance with the timetable set by HM Coroner.
- **Information Governance:** During 2015/16, the Information Security and Assurance Board continued to review and develop the Council's Information Governance Framework. Embedding of information governance continued through the roll out of the mandatory training and awareness raising activities including the launch of themed newsletters. The focus for 2016/17 and 2017/18 is preparing for the introduction of the General Data Protection Regulations in May 2018.
- **Partnership Governance:** Emerging areas for the focus of partnership governance in 2016/17 will include changes to our current (primarily economic) partnerships associated with devolution; local and regional changes in the health and social care system; local development of an accountable care partnership; emerging joint strategic commissioning arrangements for health and care and new arrangements stemming from the implementation of the Council's key projects in its outcomes framework. The effectiveness of arrangements in respect of shared services with North Lincolnshire council will also be considered.
- **Programme and Project Management:** During 2015/16 the Council has developed its project and programme management arrangements although it is recognised that there is some further work to do to ensure that they are consistently applied. For major/significant projects which have material impact on both the local authority and the borough, we will implement arrangements whereby we commission external advice/expertise/challenge/capacity to ensure that there is:
  - robust challenge on development and rationale behind business cases/project plans;;
  - adequate capacity and expertise to deliver is in place;
  - maximisation of knowledge transfer to ensure future resilience;
  - compliance with governance and project management methodology is robust; and
  - evidence in support of options appraisals has been challenged and supported

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

**Signed:**

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Leader of the Council

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Chief Executive

## GLOSSARY

**ACCRUAL** – An adjustment to recognise income earned or expenditure incurred during the financial year which has not been recorded in the accounts.

**ACTUARIAL GAINS AND LOSSES** - The changes in pension deficits or surpluses that arise because:

- events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- the actuarial assumptions have changed.

**ACTUARY** - Pension expert.

**AMORTISATION** - The practice of reducing the value of assets to reflect their reduced worth over time.

**ASSETS** - An item having value to the Authority in monetary terms. Assets are categorised as either current or non-current:

- a **current** asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock)
- a **non-current** asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be **tangible** e.g. a school building, or **intangible**, e.g. computer software licences.

**CAPITAL EXPENDITURE** - Expenditure to acquire, enhance or extend the useful life of non-current assets used in providing services beyond the current accounting period.

**CAPITAL FINANCING** - The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, capital receipts, capital grants and contributions or direct revenue financing.

**CAPITAL RECEIPTS** - The proceeds from the disposal of land and other assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the Government, but they cannot be used for revenue purposes, other than to cover non-current asset disposal costs.

**COLLECTION FUND** - A separate statutory account recording the expenditure and income relating to council tax and non-domestic rates and identifies the way in which the Fund distributes precepts to the precepting authorities.

**COMMUNITY ASSETS** - Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

**CONSISTENCY** - The concept that the accounting treatment of like items within an accounting period and from one period to the next one is the same.

**CREDITOR** - Amounts owed by the Council for works done, goods received or services rendered before the end of the accounting period but for which payments have not been made by the end of that accounting period.

**DEBTOR** - Amounts due to the Council for works done, goods supplied or services rendered before the end of the accounting period but for which payments have not been received by the end of that accounting period.

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

**EVENTS AFTER THE BALANCE SHEET DATE** - Those events of such materiality that their disclosure is required for the fair presentation of the Council statements, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

**FINANCE LEASE** - A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee.

**FINANCIAL INSTRUMENTS** - A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term covers both financial assets and financial liabilities and includes both the most straight forward financial assets such as trade receivable (debtors) and trade payable (creditors) and the most complex ones such as derivatives.

**HERITAGE ASSETS** - Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Heritage assets include civic regalia, museum and gallery collections and works of art.

**IMPAIRMENT** - A reduction in the value of a non-current asset to below its carrying amount on the Balance Sheet.

**INFRASTRUCTURE ASSETS** - Non-current assets belonging to the Council that do not necessarily have a resale value (e.g. highways) and for which a useful life span cannot be readily assessed.

**INVESTMENT PROPERTY** - Non-current assets held solely for the earning of rental income and/or for capital appreciation.

**MATERIALITY** - Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

**MINIMUM REVENUE PROVISION (MRP)** - The minimum amount that must be charged to revenue each year in order to provide for the repayment of loans and other amounts borrowed by the Council in accordance with statutory regulations.

**NATIONAL NON-DOMESTIC RATE (NNDR)** - National Non-Domestic Rate is a standard rate in the pound set by the Government on the assessed rateable value of properties used for business purposes.

**OPERATING LEASE** - A lease where the ownership of the non-current asset remains with the lessor.

**PRECEPT** - The levy made by precepting authorities on billing authorities.

**PROPERTY, PLANT AND EQUIPMENT** - Non-current assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has a statutory or discretionary responsibility.

**PROVISION** - An amount set-aside for liabilities or losses that are certain to arise but owing to their inherent nature cannot be quantified with any certainty.

**PUBLIC WORKS LOAN BOARD (PWLb)** - A central government agency that provides loans for one year and above to local authorities.

**REMUNERATION** - All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of

any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

**REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE -**

Expenditure which may be properly capitalised, but which does not result in, or remain matched with, tangible non-current assets. An example would be capital expenditure on improvement grants.

**SERVICE REPORTING CODE OF PRACTICE -** The CIPFA Service Reporting Code of Practice provides guidance on the content and presentation of costs of service activities.

**VOLUNTARY REVENUE PROVISION (VRP) -** Additional amounts charged to revenue each year in order to provide for the repayment of loans and other amounts borrowed by the Council. Examples of such charges would be provisions for short-life assets such as vehicles.