North East Lincolnshire Council
Statement of Accounts

Financial Year 2017/2018

INDEX

Narrative Statement

Overview and external environment

Despite further reductions in government funding and increased demand in a number of areas, the council has continued to deliver a full range of services and outturn the 2017/2018 financial year with a balanced revenue position. Whilst budget pressures have been reported throughout the year, a range of actions have been implemented in the final quarter to bring council finances back into balance. Service pressures have been offset by underspends in other areas, including a reduction in planned borrowing costs.

Overall, the financial position of the council remains stable despite the significant funding reductions experienced over the past few years and continued economic instability. The result of the referendum on the UK's membership of the European Union continues to impact upon the national economy and it is likely there will be further instability throughout the negotiation process. In common with a number of other areas, North East Lincolnshire is experiencing inflationary pressures within the local economy, low wage growth and delayed inward investment. Additionally, business rate appeals are still causing uncertainty for the council in forecasting income over the medium term financial period.

It is expected that the national trend of contracting funding settlements will continue until a new funding regime, now under consultation, is implemented in 2020/2021. At the same time the council expects to experience continued demand pressures, particularly in relation to social care.

The council is continuing to review its financial plans on an ongoing basis to ensure that the financial standing of the council remains intact and that it is well placed to deal with further challenges ahead. Importantly though, the council remains committed to financial sustainability and supporting the delivery of the council's key priorities of stronger economy and stronger communities.

Governance and organisational model

The ultimate decision-making body of the council is the Full Council which is made up of 42 elected councillors. Decisions on the setting of the council's budget and adoption of key strategies are taken by the Full Council. Key decisions which are those with a significant impact are made by the council's Cabinet. The current Cabinet is made up of 8 Elected Members, including the Leader and Deputy Leader of the council. Each cabinet member has responsibility and individual decision making powers for a 'portfolio' of particular services.

There is a process of overview and scrutiny to make sure that Councillors are fully accountable for decisions. This process allows Elected Members who are not on the Cabinet to act as a check and balance to the council's decision makers and to contribute to the development of future policies and strategies that will help improve services for local people.

The Audit and Governance committee continues to have the responsibility to monitor the council's financial controls as well as its risk management, anti-fraud and partnership governance arrangements.

North East Lincolnshire Council have an established Health and Wellbeing board tasked with joining up commissioning and services across the NHS, social care, public health and voluntary sector to benefit local people. In support of this aim, the council has also entered into an innovative 'Union' arrangement with the North East Lincolnshire Clinical Commissioning Group during 2017/2018 which will lead to a more efficient and effective working relationship with the health sector and make best use of the range of skills and capacity in both organisations. Governance arrangements which will oversee this Union arrangement will be fully established during 2018/2019.

Statement of accounts and basis of preparation

The Statement of Accounts summarise the council's financial performance during the 2017/2018 year and its financial position as at 31 March 2018. 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.

The accounts have been prepared under the historical cost convention, as modified for the revaluation of certain non-current assets, and are presented on a going concern basis.

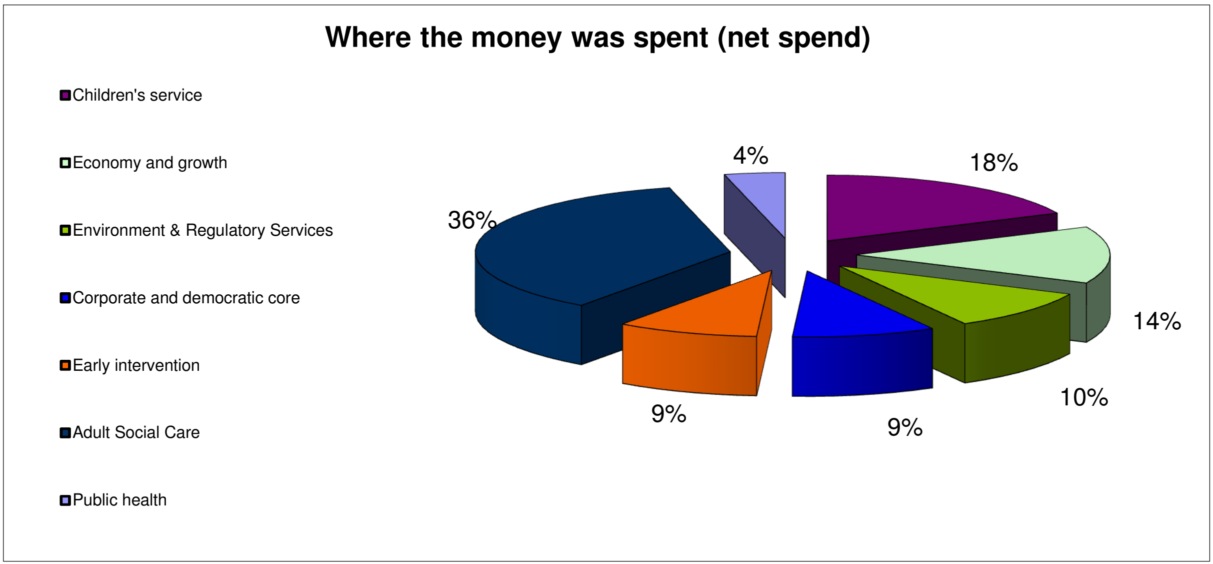
Performance

Income and expenditure

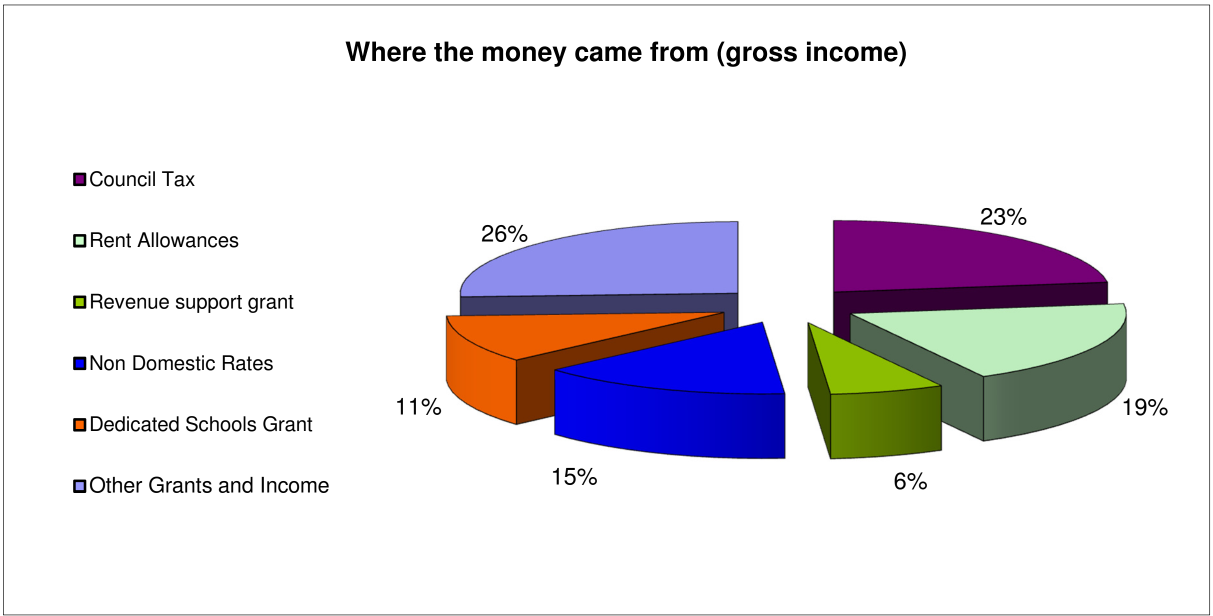
The council spent a total of £273.1m providing services to the local population during the year. After taking into account service based grants and income of £133.1m, net expenditure on services totalled £140.0m in 2017/2018. Expenditure is incurred across a diverse range of services with adult social care and children's services being the most significant making up almost two thirds of the council's net budget.

Resource allocation

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. It should be noted that an increasing proportion of the council's spending is now funded locally with reducing reliance on central government grants. An analysis of where the money came from is detailed in the chart below.



Review of the Council's Financial Position

The council has reported a decrease of £0.6m in its overall net worth during the year with net liabilities of £18.6m reported at year end.

The pension liability of £175.6m 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 decrease of £15.2m 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 was undertaken last year and this concluded that contribution rates payable would remain unchanged for the next 3 years. This stability is extremely important at a time of reducing funding levels for the council.

The council has reported an overall £1.6m decrease in its long term assets balance at year end. This small decrease in net assets reflects the net impact of investments the council has made in its asset base during the year and revaluations offset by depreciation and disposal of assets during the year.

In terms of working capital, the council is currently showing net positive current assets which is largely due to an improvement in the council's cash position and an increase in short term debtors. A minimum investment balance of £11m is held to ensure immediate cash needs of the council are always covered.

As referred to above, 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 provision is subject to regular review taking into account the number of appeals and the latest information on the probability of success.

Reserves and balances

The overall financial standing of the council is being continually monitored with particular focus upon the adequacy of reserves and the stewardship of public funds.

General fund reserves, set aside to deal with any unforeseen events, remain at £8.3m at the end of the 2017/2018 financial year. This is in line with the medium term financial plan and considered to be a prudent level taking into account the increased level of risk to which the council is currently exposed.

In line with our expectations, earmarked reserves have reduced by £9.2m to £27.9m during 2017/2018 and are set to reduce further in 2018/2019. Earmarked reserves will continue to be utilised to support transformational change and initiatives designed to deliver longer term returns.

Whilst earmarked reserves are significant in value it should be noted that balances can only be used once and that in the main there are plans in place to utilise them over the coming medium term financial planning period. Exceptions include the £2.4m individual schools budget reserve held by schools and the £3.9m self-insurance reserve. Earmarked reserves are constantly reviewed to ensure resources are working to best effect for the council.

Capital investment

The council has delivered 83.6% of its revised capital programme in 2017/2018 which compares to 94.7% in 2016/2017. In the context of the council's current financial challenges, the importance of the capital programme in the delivery of strategic and financial objectives has never been more important. As a consequence of the above, where underspends against capital allocations have been reported, these being challenged to ensure spending is timely and in accordance with corporate priorities. 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.

Capital and long term investment is necessary to deliver the council's key priorities and ambitions. However affordability is a key factor when considering any long term investment. Capital and long term investment is necessary to deliver the council's key priorities and ambitions. However affordability is a key factor when considering any long term investment. Based upon the current approved capital programme, financing costs are forecast to be maintained within an affordable envelope. However, with reducing net revenue budgets, the percentage of spend already tied up in borrowing costs may steadily increase even without additional borrowing. Borrowing therefore needs to be in accordance with prudential borrowing principles.

As part of the ongoing government review of the Prudential Framework, local authorities will need to be better at explaining why, not just what they are doing with their investment activity, needing to demonstrate more transparency and openness in how good governance has been exercised. The council has well established appraisal processes in place and any new borrowing will be predicated on the preparation of a sound business case which is closely aligned to the council's key outcomes and financial strategy.

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. Overall borrowing levels remain manageable and under continued review. As at year end, the council had £128.2m of external borrowing. 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 represented 7.4% of net revenue stream in 2017/2018 and are projected to remain below 10% in 2018/2019.

Strategic outlook

After a number of years of budget reductions and austerity, the council is rebalancing and refocusing its activities in line with the resources it currently has available to it. The council can no longer deliver a balanced budget via making budget efficiencies alone. The approach therefore focuses on financial sustainability. A commissioning approach has been introduced which will enable the council to use the total resource available in order to improve the outcomes in the most efficient, effective, equitable and sustainable way. This approach requires the council to take bold decisions and actively manage risk and opportunity as it arises. In doing so it is essential that the need for continuing flexibility in planning is acknowledged.

The council is anticipating continued economic uncertainty and further reductions in its overall funding allocations over the short to medium term. Despite this, the council is committed to the achievement of long term financial sustainability. This will be achieved by aligning available financial resources to priorities, delivering services as economically and efficiently as possible and taking a more commercial approach linked to the economic strategy. Funding has been generated from a number of different sources and will contribute towards longer term financial sustainability. The council has also been proactive over the past year in generating external funding to support a range of initiatives linked to its key outcomes.

It is widely acknowledged that growing the overall tax base is crucial to the delivery of the council's financial strategy and the further extension of business rate retention from 2020 will bring both risks and opportunity to the council. It is expected that the new regime will introduce a move to 75% retention of Business Rates, an increase on the current 49%, by rolling in grants including Revenue Support and Public Health. The government has stated it will be a fiscally neutral transition, through movement in grants and additional burdens, and therefore growing the tax base will continue to be a route to generating additional funding.

It is therefore vital the council takes an ambitious approach to securing long term financial sustainability for the area by exploiting opportunities for inward investment, external funding and greater partnership working. The council has demonstrated its commitment to the growth of the tax base with the approval of the 'Town Deal' which forms the basis of an innovative place based approach to working in partnership with government and major private investors to deliver wider economic and housing growth in North East Lincolnshire. In support of our economic ambitions, the council has set out its vision for a transition to a low carbon economy which builds on the success of the offshore wind sector and our position within the 'Energy Estuary'. Energy is a commissioning priority for the council and a key enabler to deliver against our priorities. These key investments within the local economy will need to be managed within a changing regulatory environment for local government, which requires increased transparency and clarity of decision making. Only by embracing the area's economic potential and by budgeting for growth can the council become self-sufficient and generate the resources necessary to maintain and reinvest into public services.

In summary, despite the current financial pressures the council remains focused upon the achievement of long term financial sustainability and supporting the delivery of the council's key priorities of stronger economy and stronger communities. The focus on economic growth and the delivery of recurrent financial balance will ensure we have the capacity needed to invest resources into public services over the long term. The council's role in these ambitions needs to be flexible, recognising the need to facilitate and enable, partner and support.

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 Director of Finance, Operations and Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Director of Finance, Operations and Resources' Responsibilities

The Director of Finance, Operations and Resources 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 Director of Finance, Operations and Resources 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 Director of Finance, Operations and Resources has also:

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

Certificate of the Chief Financial Officer

I certify that:

(a) the Statement of Accounts for the year ended 31 March 2018 has been prepared in the form directed by the Code and under the accounting policies set out in Note 1.
(b) in my opinion the Statement of Accounts presents fairly the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.

Sharon Wroot
Director of Finance, Operations and Resources
Date of certification: 30 July 2018

Authority Approval of Statement of Accounts

Audit Committee
Date of approval: 30 July 2018

North East Lincolnshire Council Annual Governance Statement 2017/2018

The Annual Governance Statement is now presented alongside the Statement of Accounts and not as part of the main document. A copy of the Annual Governance Statement can be found on the council's website: www.nelincs.gov.uk.

KPMG

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTH EAST LINCOLNSHIRE COUNCIL

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of North East Lincolnshire Council ('the Authority') for the year ended 31 March 2018 which comprise the Authority Comprehensive Income and Expenditure Statement, the Authority Balance Sheet the Authority Movement in Reserves Statement, the Authority Cash Flow Statement, the Collection Fund and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of the Authority's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information published with the financial statements

The Director of Finance, Operations and Resources is responsible for the other information published with the financial statements, including the Narrative Statement and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the financial statements.

Director of Finance, Operations and Resources responsibilities

As explained more fully in the statement set out on page 8, the Director of Finance, Operations and Resources is responsible for: the preparation of the Authority's 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 2017/18; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, 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 2018.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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.

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. 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.

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 Comptroller and Auditor General in November 2017, 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 Comptroller and Auditor General 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 2018.

Statutory reporting matters

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

- 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;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014;
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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.

CERTIFICATE OF COMPLETION OF THE AUDIT

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.

Clare Partridge
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

31 July 2018

Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, fees and charges, council tax and business rates) by local authorities in comparison with those resources consumed or earned by councils in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. The EFA is not a main statement, but has been included prior to the main statements to enable the reader to move from the outturn in the narrative statement to the CIES more easily.

2016/2017						2017/2018				
2016/2017 Budget Monitoring Outturn £000	Adjustments Between Outturn and Net Expenditure Chargeable to the General Fund £000	Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the CIES £000		2017/2018 Budget Monitoring Outturn £000	Adjustments Between Outturn and Net Expenditure Chargeable to the General Fund £000	Net Expenditur e Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the CIES £000
					Chief Executive:					
14,212	536	14,748	(187)	14,561	Environment	13,160	0	13,160	(65)	13,095
17,403	2,807	20,210	(781)	19,429	Economy & Growth	18,572	0	18,572	(4)	18,568
7,809	774	8,583	1,833	10,416	Corporate and Democratic Core	7,756	0	7,756	193	7,949
39,424	**4,117**	**43,541**	**865**	**44,406**		**39,488**	**0**	**39,488**	**124**	**39,612**
					Deputy Chief Executive:					
13,781	398	14,179	(159)	14,020	Early Help	12,019	0	12,019	(79)	11,940
37,121	(16,125)	20,996	(213)	20,783	Children's Services	26,313	(2,358)	23,955	(508)	23,447
3,645	1,205	4,850	(3)	4,847	Public Health	5,106	0	5,106	4	5,110
44,588	(207)	44,381	(37)	44,344	Adult Services	48,238	0	48,238	8	48,246
99,135	**(14,729)**	**84,406**	**(412)**	**83,994**		**91,676**	**(2,358)**	**89,318**	**(575)**	**88,743**
(18,389)	**21,309**	**2,920**	**(3,692)**	**(772)**	**Other Corporate Budgets**	**(9,316)**	**10,974**	**1,658**	**9,980**	**11,638**
120,170	**10,697**	**130,867**	**(3,239)**	**127,628**	**Net Cost of Services**	**121,848**	**8,616**	**130,464**	**9,529**	**139,993**
(120,170)	(10,697)	(130,867)	19,883	(110,984)	Other Income and Expenditure	(121,848)	(8,616)	(130,464)	9,682	(120,782)
0	**0**	**0**	**16,644**	**16,644**	**(Surplus) or Deficit**	**0**	**0**	**0**	**19,211**	**19,211**

2016/2017		2017/2018
8,300	Opening General Fund	8,300
0	(Surplus) or Deficit on General Fund Balance in Year	0
8,300	Closing General Fund Balance	8,300

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the council, analysed into 'usable reserves' and other 'unusable reserves'. The statement shows how the in-year movements of the council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase / Decrease line shows the statutory General Fund Balance movements in the year following these adjustments.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves of the Authority £000
Balance as at 1 April 2016	**8,300**	**44,509**	**52,809**	**13**	**855**	**53,677**	**(48,817)**	**4,860**
Movement in reserves during the year:								
Total Comprehensive Income and Expenditure	(16,644)	0	**(16,644)**	0	0	**(16,644)**	(6,211)	**(22,855)**
Adjustments between accounting basis & funding basis under regulations (Note 9)	9,260	0	**9,260**	(9)	122	**9,373**	(9,373)	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(7,384)**	**0**	**(7,384)**	**(9)**	**122**	**(7,271)**	**(15,584)**	**(22,855)**
Transfers to or from earmarked reserves	7,384	(7,384)	**0**	0	0	**0**	0	**0**
Increase / Decrease in 2016/2017	**0**	**(7,384)**	**(7,384)**	**(9)**	**122**	**(7,271)**	**(15,584)**	**(22,855)**
Balance Sheet as at 31 March 2017	**8,300**	**37,125**	**45,425**	**4**	**977**	**46,406**	**(64,401)**	**(17,995)**
Movement in reserves during the year:								
Total Comprehensive Income and Expenditure	(19,211)	0	**(19,211)**	0	0	**(19,211)**	18,577	**(634)**
Adjustments between accounting basis & funding basis under regulations (Note 9)	10,014	0	**10,014**	6	260	**10,280**	(10,280)	**0**
Net Increase / Decrease before Transfers to Earmarked Reserves	**(9,197)**	**0**	**(9,197)**	**6**	**260**	**(8,931)**	**8,297**	**(634)**
Transfers to or from earmarked reserves	9,197	(9,197)	**0**	0	0	**0**	0	**0**
Increase / Decrease in 2017/2018	**0**	**(9,197)**	**(9,197)**	**6**	**260**	**(8,931)**	**8,297**	**(634)**
Balance Sheet as at 31 March 2018	**8,300**	**27,928**	**36,228**	**10**	**1,237**	**37,475**	**(56,104)**	**(18,629)**

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 statutory requirements, which may be different from the accounting cost. The taxation position is shown in both the Expenditure Funding Analysis and the Movement in Reserves Statement.

2016/2017					2017/2018		
Expenditure £000	**Income £000**	**Net £000**		Note	**Expenditure** £000	**Income** £000	**Net** £000
			Chief Executive:				
19,354	(4,793)	14,561	Environment		18,250	(5,155)	13,095
29,699	(10,270)	19,429	Economy & Growth		28,302	(9,734)	18,568
73,681	(63,265)	10,416	Corporate and Democratic Core		67,285	(59,336)	7,949
122,734	**(78,328)**	**44,406**			**113,837**	**(74,225)**	**39,612**
			Deputy Chief Executive:				
26,651	(12,631)	14,020	Early Help		24,131	(12,191)	11,940
55,368	(34,585)	20,783	Children's Services		56,927	(33,480)	23,447
11,241	(6,394)	4,847	Public Health		11,389	(6,279)	5,110
47,726	(3,382)	44,344	Adult Services		52,202	(3,956)	48,246
140,986	**(56,992)**	**83,994**			**144,649**	**(55,906)**	**88,743**
3,573	**(4,345)**	**(772)**	**Other Corporate Budgets**		**14,585**	**(2,947)**	**11,638**
267,293	**(139,665)**	**127,628**	**Cost of Services**		**273,071**	**(133,078)**	**139,993**
13,308	0	13,308	Other Operating Expenditure	11	4,491	0	4,491
10,658	(2,160)	8,498	Financing and Investment Income and Expenditure	12	12,233	(4,050)	8,183
0	(132,790)	(132,790)	Taxation and Non-Specific Grant Income and Expenditure	13	0	(133,456)	(133,456)
		16,644	**(Surplus) or Deficit on Provision of Services**				**19,211**
		(4,664)	Surplus or deficit on revaluation of Property, Plant and Equipment	14,15			(4,178)
		(1,202)	Impairment losses and reversals on non-current assets charged to the Revaluation Reserve	14,15			(332)
		12,077	Re-measurement of the net defined benefit liability/(asset)	41			(14,067)
		6,211	**Other Comprehensive Income and Expenditure**				**(18,577)**
		22,855	**Total Comprehensive Income and Expenditure**				**634**

Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories. The first category of reserve are usable reserves, i.e. those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserve are those that the council is not able to use to provide services. This category of reserve includes reserves that hold unrealised gains and losses (for example, the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31st March 2017 £000		Notes	31st March 2018 £000
227,349	Property, Plant & Equipment	14	226,872
991	Heritage Assets	15	1,852
53,019	Investment Property	14, 16	51,246
1,588	Intangible Assets	17	1,416
2,690	Long Term Debtors	18, 19	2,631
285,637	**Long Term Assets**		**284,017**
4,900	Short Term Investments	18	0
270	Inventories		114
22,006	Short Term Debtors	19	21,853
6,873	Cash and Cash Equivalents	20	17,405
717	Assets held for sale	21	0
34,766	**Current Assets**		**39,372**
(13,857)	Short Term Borrowing	18	(18,994)
(26,627)	Short Term Creditors	18, 22	(27,891)
(1,550)	Provisions	23	(1,150)
(5,100)	Capital Grants Received in Advance	34	(3,958)
(47,134)	**Current Liabilities**		**(51,993)**
(6,730)	Provisions	23	(5,273)
(93,717)	Long Term Borrowing	18	(109,179)
(190,817)	Other Long Term Liabilities	41	(175,573)
(291,264)	**Long Term Liabilities**		**(290,025)**
(17,995)	**Net Assets/(Liabilities)**		**(18,629)**
46,406	Usable Reserves		37,475
(64,401)	Unusable Reserves	25	(56,104)
(17,995)	**Total Reserves**		**(18,629)**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the council during the reporting period. The statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the council are funded by way of taxation and grant income or from the recipients of services provided by the council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the council.

2016/2017 £000		**Notes**	**2017/2018** £000
(16,644)	**Net surplus or (deficit) on the provision of services**		(19,211)
21,464	Adjustment to surplus or deficit on the provision of services for non-cash movements	26	17,745
(13,490)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(12,395)
(8,670)	**Net cash flows from Operating Activities**		**(13,861)**
(5,684)	**Net cash flows from Investing Activities**	27	**1,352**
12,435	**Net cash Flows from Financing Activities**	28	**23,041**
(1,919)	**Net increase or (decrease) in cash and cash equivalents**		**10,532**
8,792	Cash and cash equivalents at the beginning of the reporting period	20	6,873
6,873	**Cash and cash equivalents at the end of the reporting period**	20	**17,405**

NOTES TO THE ACCOUNTS

Note 1 – Accounting Policies

i. General Principles

The Statement of Accounts summarises the council's transactions for the 2017/2018 financial year and its position at the year-end of 31 March 2018. The Accounts and Audit Regulations 2015 require the council to prepare an annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018, supported by International Financial Reporting Standards (IFRS).

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

ii. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- Revenue from the provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet where individual inventory categories are above £100k.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. In respect of both capital and revenue transactions, the council operates on the normal accruals concept of income and expenditure above the councils de minimis threshold of £10k.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

v. Charges to Revenue for Non-current Assets

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

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

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vi. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. The Balance Sheet includes the council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

vii. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post-employment Benefits

Employees of the council are members of three separate pension schemes:

- The Local Government Pension Scheme, administered by East Riding of Yorkshire Council.
- 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

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council.

However, the arrangements for the Teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the council. These schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions 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 Scheme is accounted for as a defined benefits scheme:

- The liabilities of the East Riding pension fund attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate determined when pension's data is available (based on an indicative equivalent return on high quality corporate bonds).
- The assets of East Riding pension fund attributable to the council are included in the Balance Sheet at their fair value:

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

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

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement

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

Re-measurements comprising:

- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the East Riding pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

viii. Events After the Reporting Period

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

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

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

ix. Financial Instruments

Financial Liabilities

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

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified 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 recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement 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 (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest that 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 relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

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 under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

Available-for-sale Assets

The council does not have any financial assets available-for-sale.

x. Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

xi. Heritage Assets

The council holds several assets which are held to increase the knowledge, understanding and appreciation of the council's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below. The council's collections of heritage assets are accounted for as follows:

Civic Regalia and Museum Collection

These items are reported in the Balance Sheet at insurance valuation which is based on market values. The civic regalia and museum collection are deemed to have indeterminate lives and a high residual value; hence the authority does not consider it appropriate to charge depreciation.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the council's general policies on impairment. The council will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

xii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the council. Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the council can be determined by reference to an active market. In practice, no intangible asset held by the council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £50k) the Capital Receipts Reserve.

xiii. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using recognised formula. The council has set a de minimis value of £100k, below which inventories are not held on balance sheet.

xiv. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. 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.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves

Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

xv. Leases

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

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

<u>The Council as Lessee</u>

Finance Leases

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

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

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

<u>The Council as Lessor</u>

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

xvi. Overheads and Support Services

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

xvii. Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. Expenditure on the asset below a total value of £10k is not capitalised.

Measurement

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

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

Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement. Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other classes of assets are measured at current value.

Where there is no market-based evidence of current value, because of the specialist nature of an asset and the asset is rarely sold, an estimate of current value is made on a depreciated replacement cost (DRC) basis.

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

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

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

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

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.

Impairment

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

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

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

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

Depreciation

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

Deprecation is normally charged in the first full year of operational use, except where stated, and calculated on the following bases:

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

Amounts received for a disposal in excess of £10k are categorised as capital receipts. The capital receipts reserve can only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement) Receipts are appropriated to the reserve from the general fund balance in the Movement in Reserves Statement.

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

xviii. Provisions, Contingent Liabilities and Contingent Assets

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

xix. Reserves

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

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

xx. Revenue Expenditure Funded from Capital under Statute

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

xxi. Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the council as if they were the transactions, cash flows and balances of the council

xxii. VAT

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

xxiii. Fair Value Measurement

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

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

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

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

The council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the council's financial statements are categorised within the fair value hierarchy, as follows:

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

xxiv. Long Term Contracts

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.

Note 2 – Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom requires authorities to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not adopted at the balance sheet date. The following new standards and amendments to existing standards are to be introduced within the 2018/19 Code:

- **IFRS 9 Financial Instruments:** Introduces extensive changes to the classification and measurement of financial assets, including replacing the current "incurred loss" model with an "expected credit loss" model for impairing financial assets.

- **IFRS 15 Revenue from Contracts with Customers:** The core principle of this standard is that of 'Transfer of Control' – an entity will recognise revenue in consideration for goods and services as or when control transfers to the customer.

- **IAS 12 Income Taxes (Recognition of Deferred Tax Assets for Unrealised Losses):** Applies to deferred tax assets related to debt instruments measured at fair value. The council does not currently hold such financial instruments.

- **IAS 7 Statement of Cash Flows (Disclosure Initiative):** Will potentially require some additional analysis of Cash Flows from Financing Activities in future years.

- **IFRS16 Leases:** Will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases).

Note 3 – Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the council has had to make certain judgements about complex transactions or those involving uncertainty about future events. There are no specific judgements that require disclosure at this point in time.

Note 4 – Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

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

The council has made a series of assumptions with regard to the level of National Non-Domestic Rate income it will receive over the next four financial years.

The items in the council's Balance Sheet at 31 March 2018 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
Property, Plant and 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 council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by approximately £0.6m for every year that useful lives had to be reduced.
Pensions Liability	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. A firm of consulting actuaries is engaged to provide the council with expert advice about the assumptions to be applied.	Based on the assumptions applied, during 2017/2018 the council's actuaries advised that the net pension liability had decreased by £15.2m. However, variations in the key assumptions will have the following impact on the net liability: • A 0.5% decrease in the discount rate will increase the net pension liability by approximately £60.0m • A 0.5% increase in salary increase rate will increase the net pension liability by approximately £6.7m.
Debt Impairment	At 31 March 2018, the council had a balance of sundry debtors of £5.1m. A review of significant balances suggested that an impairment of doubtful debts of £1.0m was appropriate. However it is not certain that such an allowance would be sufficient as the council cannot assess with certainty which debts will be collected or not.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1.0m to be set aside as an allowance.
National Non Domestic Rates (NNDR) Provision	The council set aside, from its collection fund, £11.4m 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 £5.6m is shown in Note 23.	The impact of appeals is highly uncertain and outside of the control of the council.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Fair Value Measurement	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the council's assets and liabilities. Where Level 1 inputs are not available, the council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example, for investment properties, the council's chief valuation officer and external valuer). Information about the valuation techniques and inputs used in determining the fair value of the council's assets and liabilities is disclosed in Notes 14 and 16.	The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels, occupancy levels and others. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurements.

Note 5 – Material Items of Income and Expense

For the purposes of this note the council considers material items to be those greater than £5m. There have been no material items of income or expenditure during 2017/2018.

Note 6 – Events After the Balance Sheet Date

The council is not aware of any significant post balance sheet events.

Note 7 – Note to the Expenditure and Funding Analysis

Adjustments Between Funding and Accounting Basis

2017/2018 Financial Year: **Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts**	**Adjustments for Capital Purposes** £000	**Net change for Pensions Adjustments** £000	**Other Differences** £000	**Total** £000
Chief Executive:				
Environment	0	0	(65)	(65)
Economy & Growth	0	0	(4)	(4)
Corporate and Democratic Core	(1,843)	0	2,036	193
Deputy Chief Executive:				
Early Help	0	0	(79)	(79)
Children's Services	(571)	0	63	(508)
Public Health	0	0	4	4
Adult Services	0	0	8	8
Other Corporate Budgets	2,435	3,106	4,439	9,980
Net Cost of Services	**21**	**3,106**	**6,402**	**9,529**
Other Income and Expenditure from the Expenditure and Funding Analysis	4,273	5,052	357	9,682
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**4,294**	**8,158**	**6,759**	**19,211**

2016/2017 Financial Year: **Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts**	**Adjustments for Capital Purposes** £000	**Net change for Pensions Adjustments** £000	**Other Differences** £000	**Total** £000
Chief Executive:				
Environment	0	0	(187)	(187)
Economy & Growth	0	0	(781)	(781)
Corporate and Democratic Core	0	0	1,833	1,833
Deputy Chief Executive:				
Early Help	0	0	(159)	(159)
Children's Services	0	0	(213)	(213)
Public Health	0	0	(3)	(3)
Adult Services	0	0	(37)	(37)
Other Corporate Budgets	(4,446)	(3,622)	4,376	(3,692)
Net Cost of Services	**(4,446)**	**(3,622)**	**4,829**	**(3,239)**
Other Income and Expenditure from the Expenditure and Funding Analysis	12,995	5,926	962	19,883
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**8,549**	**2,304**	**5,791**	**16,644**

Segmental Income

The following analysis shows revenues from external customers and internal trading included within the Net Expenditure chargeable to the General Fund in the Expenditure and Funding Analysis:

2017/2018 Financial Year	**Revenue from External Customers** £000	**Revenues from Transactions with Other Operating Segments of the Authority** £000	**Depreciation and Amortisation** £000
Chief Executive:			
Environment	(5,119)	(2,104)	0
Economy & Growth	(4,806)	(1,761)	0
Corporate and Democratic Core	(4,924)	(14,334)	0
Deputy Chief Executive:			
Early Help	(4,192)	(505)	0
Children's Services	(1,838)	(563)	0
Public Health	(1,017)	(22)	0
Adult Services	(386)	(191)	0
Other Corporate Budgets	(7,280)	(318)	(16,201)
Total Income Analysed on a Segmental Basis	**(29,562)**	**(19,798)**	**(16,201)**

2016/2017 Financial Year	Revenue from External Customers £000	Revenues from Transactions with Other Operating Segments of the Authority £000	Depreciation and Amortisation £000
Chief Executive:			
Environment	(6,245)	(623)	0
Economy & Growth	(5,380)	(2,241)	0
Corporate and Democratic Core	(9,945)	(18,633)	0
Deputy Chief Executive:			
Early Help	(4,848)	(258)	0
Children's Services	(2,367)	(339)	0
Public Health	(998)	0	0
Adult Services	(983)	(163)	0
Other Corporate Budgets	(5,431)	0	(10,161)
Total Income Analysed on a Segmental Basis	**(36,197)**	**(22,257)**	**(10,161)**

Revenue from External Customers: Income from organisations/individuals from outside the council, excluding any grant income.

Revenues from Transactions within Other Operating Segments: Income to the segment from internally trading/recharging to another segment within the council.

Note 8 – Expenditure and Income Analysed by Nature

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

Expenditure / Income	2017/2018 £000	2016/2017 £000
Expenditure:		
Employee Benefits Expenses	73,414	68,441
Other Services Expenditure	190,593	193,937
Depreciation, Amortisation, Impairment	11,913	7,808
Interest Payments	4,182	3,983
Precepts and Levies	1,354	1,320
Gain on the Disposal of Assets	2,681	11,988
Other Expenditure	4,692	4,180
Total Expenditure	**288,829**	**291,657**
Income:		
Fees, Charges and Other Service Income	(27,548)	(27,492)
Interest and Investment Income	(122)	(71)
Income for Council Tax, Non-Domestic Rates, District Rate Income	(99,974)	(95,413)
Government Grants and Contributions	(141,974)	(152,037)
Total Income	**(269,618)**	**(275,013)**
(Surplus) or Deficit on the Provision of Services	**19,211**	**16,644**

Note 9 – Adjustments between Accounting Basis and Funding Basis under Regulations

2017/2018 Financial Year	Usable Reserves General Fund Balance £000	Usable Reserves Capital Receipts Reserve £000	Usable Reserves Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.				
Pension cost (transferred to (or from) the Pensions Reserve)	(1,177)			1,177
Pension Prepayment Adjustment	9,335			(9,335)
Council tax and NDR (transfers to or from the Collection Fund)	(2,338)			2,338
Holiday pay (transferred to the Accumulated Absences reserve)	(94)			94
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	13,786			(13,786)
Total Adjustments to Revenue Resources	**19,512**	**0**	**0**	**(19,512)**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(4,020)	4,020		
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	39	(39)		
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(4,917)			4,917
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(219)			219
Total Adjustments to Revenue Resources	**(9,117)**	**3,981**	**0**	**5,136**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		(3,975)		3,975
Application of capital grants to finance capital expenditure	(381)		260	121
Total Adjustments to Capital Resources	**(381)**	**(3,975)**	**260**	**4,096**
Total Adjustments	**10,014**	**6**	**260**	**(10,280)**

2016/2017 Financial Year	Usable Reserves General Fund Balance £000	Usable Reserves Capital Receipts Reserve £000	Usable Reserves Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.				
Pension cost (transferred to (or from) the Pensions Reserve)	2,304			(2,304)
Council tax and NDR (transfers to or from the Collection Fund)	(1,290)			1,290
Holiday pay (transferred to the Accumulated Absences reserve)	(58)			58
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	15,385			(15,385)
Total Adjustments to Revenue Resources	**16,341**	**0**	**0**	**(16,341)**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(800)	800		
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	49	(49)		
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(5,946)			5,946
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(101)			101
Total Adjustments to Revenue Resources	**(6,798)**	**751**	**0**	**6,047**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		(760)		760
Application of capital grants to finance capital expenditure	(283)		122	161
Total Adjustments to Capital Resources	**(283)**	**(760)**	**122**	**921**
Total Adjustments	**9,260**	**(9)**	**122**	**(9,373)**

Note 10 – Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund Expenditure in 2017/2018.

	Balance as at 1 April 2016 £000	Transfers In 2016/2017 £000	Transfers Out 2016/2017 £000	Balance as at 31 March 2017 £000	Transfers In 2017/2018 £000	Transfers Out 2017/2018 £000	Balance as at 31 March 2018 £000
Service Specific Reserve - Chief Executive	6,032	1,732	(2,147)	5,617	614	(2,883)	3,348
Individual Schools Budget Reserve	7,326	5,168	(7,326)	5,168	2,358	(5,168)	2,358
Self-Insurance	4,261	379	(735)	3,905	0	0	3,905
Business Rates Reserve	4,258	0	(360)	3,898	0	(563)	3,335
Service Specific Reserve - Deputy Chief Executive	5,004	604	(2,361)	3,247	1,328	(720)	3,855
Management of Change	1,800	2,269	(993)	3,076	1,200	(2,381)	1,895
Debt Financing Reserve	2,843	1,177	(1,177)	2,843	860	(1,536)	2,167
Transformation Programme	1,690	1,455	(895)	2,250	0	(729)	1,521
Adult Social Care Transition Funding	1,436	1,347	(537)	2,246	370	(303)	2,313
NEL Clinical Commissioning Group Priorities	1,629	1,245	(814)	2,060	258	(2,307)	11
IFRS Revenue Grant	5,388	507	(4,454)	1,441	1,721	(783)	2,379
Medium Term Financial Plan	657	0	(126)	531	0	0	531
Past Service Pension Reserve	994	0	(500)	494	0	(494)	0
Health & Wellbeing Board Public Health Priorities	520	344	(515)	349	0	(39)	310
Adult Social Care Planned Underspend	671	0	(671)	0	0	0	0
Total Earmarked Reserves	**44,509**	**16,227**	**(23,611)**	**37,125**	**8,709**	**(17,906)**	**27,928**

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 2017/2018.

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.

Self-Insurance
This reserve is held to meet the costs of claims which are insured internally.

Business Rates Reserves
A specific reserve to account for the potential shortfall in the Collection Fund deficit as a result of various elements including a significant number of outstanding appeals against rateable value.

Management of Change
Reserve in respect of the costs of managing organisational change in particular those that arise from transformation programmes.

Debt Financing Reserve
This reserve is 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.

Transformation Reserve (formerly Future Shape Reserve)
Funding set aside to support the delivery of the council's transformation programme.

Adult Social Care Transition Funding
Reserve for transition funding to mitigate the impact of loss of NHS grant in future years.

North East Lincolnshire Clinical Commissioning Group Strategic Priorities
Reserve set aside to support CCG priorities.

IFRS Revenue Grant Reserve
Under IFRS, 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 they can continue to be used to match future service spending plans.

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.

Past Service Pension Costs
The council made a contribution towards pension liabilities for the past service of staff that transferred to Care Trust Plus.

Health and Well Being Board Public Health Priorities
Reserve established to support public health priorities.

Note 11 – Other Operating Expenditure

	2017/2018 £000	2016/2017 £000
Parish Council Precepts	757	735
Levies	597	585
(Gains)/Losses on Disposal of Non-Current Assets	3,137	11,988
Total	**4,491**	**13,308**

Note 12 – Financing and Investment Income and Expenditure

	2017/2018 £000	2016/2017 £000
Interest payable and similar charges	4,182	3,983
Net interest on the net defined benefit liability (asset)	5,052	5,926
Interest receivable and similar income	(122)	(71)
Income and expenditure in relation to investment properties and changes in their fair value	(929)	(1,340)
Total	**8,183**	**8,498**

Note 13 – Taxation and Non-specific Grant Income and Expenditure

	2017/2018 £000	2016/2017 £000
Council Tax Income	(60,781)	(57,502)
Non Domestic Rates Income and Expenditure	(39,193)	(37,911)
Non-Ring-fenced Government Grants	(24,302)	(26,680)
Capital Grants and Contributions	(9,180)	(10,697)
Total Taxation and Non-Specific Grant Income and Expenditure	**(133,456)**	**(132,790)**

Note 14 – Property, Plant and Equipment

2017/2018 Financial Year:

	Property, Plant & Equipment (PP&E)									
	Other Land and Buildings	**Vehicles, Plant & Equipment**	**Infrastructure Assets**	**Community Assets**	**PP&E Under Construction**	**Surplus Assets**	**Total PP&E**	**Investment Properties**	**Total Intangible Assets**	**TOTAL**
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation										
Balance as at 1 April 2017	127,543	13,980	127,056	12,766	3,564	2,813	287,722	53,046	3,434	344,202
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	**0**	0	0	**0**
Adjusted opening balance	**127,543**	**13,980**	**127,056**	**12,766**	**3,564**	**2,813**	**287,722**	**53,046**	**3,434**	**344,202**
Additions	1,567	1,386	6,681	81	2,216	28	**11,959**	1,903	1,167	**15,029**
Donations	0	0	0	0	0	0	**0**	0	0	**0**
Revaluation increases/decreases to Revaluation Reserve	1,224	0	0	0	0	674	**1,898**	0	0	**1,898**
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(1,656)	0	0	0	0	(756)	**(2,412)**	316	0	**(2,096)**
Derecognition - Disposals	(4,082)	(2,398)	(5)	0	0	0	**(6,485)**	(2,218)	0	**(8,703)**
Derecognition - Other	0	0	0	0	0	0	**0**	0	0	**0**
Reclassifications & Transfers	(11,967)	1,453	0	7,466	(1,523)	4,433	**(138)**	102	36	**0**
Reclassified to/from Held for Sale	0	0	0	0	0	415	**415**	0	0	**415**
Other movements	0	0	0	0	0	0	**0**	0	0	**0**
Balance as at 31 March 2018	**112,629**	**14,421**	**133,732**	**20,313**	**4,257**	**7,607**	**292,959**	**53,149**	**4,637**	**350,745**
Depreciation and Impairment										
Balance as at 1 April 2017	(18,949)	(9,094)	(30,984)	(44)	(1,117)	(185)	(60,373)	(27)	(1,846)	(62,246)
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	**0**	0	**0**	**0**
Adjusted opening balance	**(18,949)**	**(9,094)**	**(30,984)**	**(44)**	**(1,117)**	**(185)**	**(60,373)**	**(27)**	**(1,846)**	**(62,246)**
Depreciation Charge	(6,196)	(1,786)	(3,369)	0	0	(19)	**(11,370)**	0	(1,375)	**(12,745)**
Depreciation written out on Revaluation Reserve	1,161	0	0	0	0	258	**1,419**	0	0	**1,419**
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	527	0	0	0	0	11	**538**	0	0	**538**
Impairment losses/reversals to Revaluation Reserve	339	0	0	0	0	(7)	**332**	0	0	**332**
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	793	0	0	(2)	0	41	**832**	(1,895)	0	**(1,063)**
Derecognition - Disposals	297	2,255	2	0	0	0	**2,554**	0	0	**2,554**
Derecognition - Other	0	0	0	0	0	0	**0**	0	0	**0**
Reclassifications & Transfers	7,921	0	0	(7,302)	0	(638)	**(19)**	19	0	**0**
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0	**0**	0	**0**	**0**
Balance as at 31 March 2018	**(14,107)**	**(8,625)**	**(34,351)**	**(7,348)**	**(1,117)**	**(539)**	**(66,087)**	**(1,903)**	**(3,221)**	**(71,211)**
Net Book Value										
Balance as at 31 March 2018	**98,522**	**5,796**	**99,381**	**12,965**	**3,140**	**7,068**	**226,872**	**51,246**	**1,416**	**279,534**
Balance as at 31 March 2017	108,594	4,886	96,072	12,722	2,447	2,628	227,349	53,019	1,588	281,956

2016/2017 Financial Year:

	Property, Plant & Equipment (PP&E)									
	Other Land and Buildings	**Vehicles, Plant & Equipment**	**Infrastructure Assets**	**Community Assets**	**PP&E Under Construction**	**Surplus Assets**	**Total PP&E**	**Investment Properties**	**Total Intangible Assets**	**TOTAL**
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation										
Balance as at 1 April 2016	140,156	14,894	119,842	14,692	4,915	2,506	**297,005**	**44,631**	4,464	**346,100**
Adjustments between cost/value & depreciation/impairment	(232)	0	1	0	0	233	**2**	**0**	**0**	**2**
Adjusted opening balance	**139,924**	**14,894**	**119,843**	**14,692**	**4,915**	**2,739**	297,007	44,631	**4,464**	346,102
Additions	5,494	1,260	7,213	21	1,583	4	**15,575**	7,116	0	**22,691**
Donations	0	0	0	0	0	0	**0**	0	0	**0**
Revaluation increases/decreases to Revaluation Reserve	(107)	0	0	0	0	(122)	**(229)**	0	0	**(229)**
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(2,960)	0	0	0	0	198	**(2,762)**	(1,109)	0	**(3,871)**
Derecognition - Disposals	(13,907)	(2,233)	0	(1,758)	(357)	(6)	**(18,261)**	(79)	(2,150)	**(20,490)**
Derecognition - Other	0	0	0	0	0	0	**0**	0	0	**0**
Reclassifications & Transfers	(901)	59	0	(189)	(2,577)	0	**(3,608)**	2,487	1,120	**(1)**
Reclassified to/from Held for Sale	0	0	0	0	0	0	**0**	0	0	**0**
Other movements	0	0	0	0	0	0	**0**	0	0	**0**
Balance as at 31 March 2017	**127,543**	**13,980**	**127,056**	**12,766**	**3,564**	**2,813**	**287,722**	**53,046**	**3,434**	**344,202**
Depreciation and Impairment										
Balance as at 1 April 2016	(28,924)	(9,687)	(27,871)	0	0	0	**(66,482)**	0	(2,727)	**(69,209)**
Adjustments between cost/value & depreciation/impairment	232	0	0	0	0	(233)	**(1)**	0	**0**	**(1)**
Adjusted opening balance	(28,692)	(9,687)	(27,871)	0	0	(233)	**(66,483)**	0	(2,727)	**(69,210)**
Depreciation Charge	(2,204)	(1,405)	(3,113)	0	0	(4)	**(6,726)**	0	(1,269)	**(7,995)**
Depreciation written out on Revaluation Reserve	4,893	0	0	0	0	0	**4,893**	0	0	**4,893**
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	411	0	0	0	0	0	**411**	0	0	**411**
Impairment losses/reversals to Revaluation Reserve	2,006	0	0	0	(800)	(4)	**1,202**	0	0	**1,202**
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	454	0	0	(21)	(302)	56	**187**	(27)	0	**160**
Derecognition - Disposals	4,145	1,998	0	0	0	0	**6,143**	0	2,150	**8,293**
Derecognition - Other	0	0	0	0	0	0	**0**	0	0	**0**
Reclassifications & Transfers	38	0	0	(23)	(15)	0	**0**	0	0	**0**
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0	**0**	0	**0**	**0**
Balance as at 31 March 2017	**(18,949)**	**(9,094)**	**(30,984)**	**(44)**	**(1,117)**	**(185)**	**(60,373)**	**(27)**	**(1,846)**	**(62,246)**
Net Book Value										
Balance as at 31 March 2017	**108,594**	**4,886**	**96,072**	**12,722**	**2,447**	**2,628**	**227,349**	**53,019**	**1,588**	**281,956**
Balance as at 31 March 2016	**111,232**	**5,207**	**91,971**	**14,692**	**4,915**	**2,506**	**230,523**	**44,631**	**1,737**	**276,891**

Depreciation

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

- Other Land and Buildings – 1-99 years
- Vehicles, Plant, Furniture & Equipment – 1-20 years
- Infrastructure – straight-line allocation over the useful life of the property as estimated by a suitably qualified officer

Capital Commitments

At 31 March 2018, the council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018/2019 and future years. Of these contracts, those considered to be major contracts are those having outstanding commitments in excess of £1m. As at 31 March 2018, only the following contract met this criteria:

- Former Matthew Humberstone Works – £2.4m

Effects of Changes in Estimates

No material changes in estimates have been made in year. Useful lives are assessed as part of the valuation rolling programme.

Revaluations

The council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the current values of property, plant and equipment are:

- That good title can be shown and all valid planning permissions and statutory approvals are in place.
- That the occupier will have the benefit of access, services and rights to enable occupation on a normal commercial basis.
- That all easements, rights of way, restrictions or other encumbrances have been considered.
- That the properties are in good repair unless otherwise stated.
- That no deleterious or hazardous materials have been used in the construction, nor any existing or potential environmental factors are known, that could affect the values.

The table below shows the property, plant and equipment held on the asset register valued at historical cost or at the fair value of the asset at the time of valuation (five-year rolling programme).

Valuation of PPE	Land and Buildings	Vehicles, Plant & Equipment	Surplus Assets	Total PPE
	£000	£000	£000	£000
Carried at historical cost	115,486	5,796	0	121,282
Valued at fair value as at:				
31/03/2018	83,861	0	6,619	90,480
31/03/2017	4,260	0	337	4,597
31/03/2016	9,073	0	2	9,075
31/03/2015	0	0	0	0
31/03/2014	1,328	0	110	1,438
Total Cost or Valuation	**214,008**	**5,796**	**7,068**	**226,872**

Fair Value Measurement for Surplus Assets and Investment Properties

See Note 1 (xxiii) for an explanation of fair value and the fair value level.

Fair Value Hierarchy

Details of the council's surplus assets and investment properties, as at 31 March, are as follows:

Recurring fair value measurements using:	2017/2018		2016/2017	
	Significant unobservable inputs (Level 3) £000	Fair value as at 31st March 2018 £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31st March 2017 £000
Surplus Assets:				
All Surplus Assets	7,068	7,068	2,628	2,628
Total Surplus Assets	**7,068**	**7,068**	**2,628**	**2,628**
Investment Properties:				
Residential (Market Rental) Properties	0	0	0	0
Office Units	4,766	4,766	4,700	4,700
Commercial Units	46,480	46,480	48,319	48,319
Total Investment Properties	**51,246**	**51,246**	**53,019**	**53,019**

Determined Value Level, Valuation Process and Techniques

There is limited evidence in respect of actual transactions for this region and no publicly available market reports for North East Lincolnshire. Much of the evidence of actual sales comes for this region from North East Lincolnshire Council itself. Adjustments are required to reflect the location, size, age, use and condition of the assets. The council's assets are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements and there is no reasonably available information that indicates that market participants would use different assumptions.

The assets have been valued by the council'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. In estimating the fair value of the council's surplus assets and investment properties, the highest and best use of the properties is their current use.

There has been no change in the valuation techniques used during the year.

Reconciliation of Fair Value Measurements

Assets categorised within Level 3	Surplus Assets 31st March 2018 £000	Investment Properties 31st March 2018 £000	Surplus Assets 31st March 2017 £000	Investment Properties 31st March 2017 £000
Opening Balance	2,628	53,019	2,506	44,631
Reclassifications in at Level 3	0	0	0	0
Reclassifications out at Level 3	0	0	0	0
Transfers into Level 3	4,210	3,913	0	2,487
Transfers out of Level 3	0	(3,792)	0	0
Total gains/losses for the period included in the Surplus or Deficit on the Provision of Services resulting from changes in fair value	202	(1,579)	127	(1,136)
Additions	28	1,903	0	7,116
Disposals	0	(2,218)	(5)	(79)
Closing Balance	**7,068**	**51,246**	**2,628**	**53,019**

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 surplus assets firstly reduce any revaluation reserve balance relating to that asset and, thereafter, are recognised in the Surplus or Deficit on the Provision of Services.

Gains or losses arising from changes in the fair value of investment properties are recognised in Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

Quantitative Information about Fair Value

Subcategory at Fair Value Level 3	31st March 2018 £000	Valuation technique used to measure fair value	Unobservable inputs	Sensitivity
Surplus Assets:				
Land	6,713	Market Comparison / Residual	Sale Levels Finance / Construction Costs Build Period	Significant changes in sale levels, finance and construction costs will result in a significantly lower or higher fair value
Buildings	355	Market Comparison/ Residual	Sale Levels Finance / Construction Costs Build Period	Significant changes in sale levels, finance and construction costs will result in a significantly lower or higher fair value
Investment Properties				
Industrial and Commercial Units	51,246	Market Comparison	Rent Growth Vacancy Levels Yields	Significant changes in rental income, rent growth, vacancy levels or yields will result in a significantly lower or higher fair value

Note 15 – Heritage Assets

	Civic Regalia £000	Museum Collection £000	Total Heritage Assets £000
Cost or Valuation			
Balance as at 1 April 2016	174	817	991
Movements	0	0	0
Balance as at 31 March 2017	**174**	**817**	**991**
Cost or Valuation			
Balance as at 1 April 2017	174	817	991
Movements – Revaluations	252	609	861
Balance as at 31 March 2018	**426**	**1,426**	**1,852**

Note 16 – 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.

Income and Expenditure from Investment Properties:

	2017/2018 £000	2016/2017 £000
Rental income from investment property	(2,833)	(3,097)
Direct operating expenses arising from investment property	781	749
Net Gain/Loss	**(2,052)**	**(2,348)**

There are no restrictions on the council's ability to realise the value inherent in its investment property and none 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 on repairs, maintenance or enhancement.

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

	2017/2018 £000	2016/2017 £000
Balance at start of the year	53,019	44,631
Additions	1,903	7,116
Disposals	(2,218)	(79)
Net gains/losses from fair value adjustments	(1,579)	(1,136)
Transfers:		
- to/from Property, Plant and Equipment	121	2,487
Balance at end of the year	**51,246**	**53,019**

Note 17 – Intangible Assets

The council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. The intangible assets include both purchased licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the council. The useful lives assigned to the major software suites used by the council are as follows:

- Refurb/Refresh – Five years (updating software to support our systems, applications and websites)
- Digital Strategy delivery system – Four years

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £1.4m charged to revenue in 2017/2018 was charged to corporate management in the Cost of Services.

The movement on intangible asset balances during the year can be seen in Note 14.

Note 18 – Financial Instruments

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

	Long-term		Current	
	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
Investments				
Short Term Investments – DMO*	0	0	0	4,900
Total investments	**0**	**0**	**0**	**4,900**
Debtors				
Loans and receivables	2,631	2,690	0	0
Financial assets carried at contract amounts	0	0	21,853	22,006
Total Debtors	**2,631**	**2,690**	**21,853**	**22,006**
Borrowings				
Financial liabilities at amortised cost	109,179	93,717	18,994	13,857
Total borrowings	**109,179**	**93,717**	**18,994**	**13,857**
Creditors				
Financial liabilities carried at contract amount	0	0	27,891	26,627
Total creditors	**0**	**0**	**27,891**	**26,627**

* From the 2017/2018 financial year, Debt Management Office (DMO) investments are now being treated as Cash Equivalents (Note 20)

Amounts relating to financial instruments recognised in the Comprehensive Income and Expenditure Statement:

	2017/2018	2016/2017
	Financial Liabilities Measured at Amortised Cost £000	**Financial Liabilities Measured at Amortised Cost** £000
Interest expense	4,121	3,930
Impairment losses	0	0
Total Expense in Surplus or Deficit on the Provision of Services	**4,121**	**3,930**
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	0	0
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**0**	**0**
Net (gain)/loss for the year	**4,121**	**3,930**

Fair Values of Financial Assets and Financial Liabilities

Financial liabilities and financial assets, represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at fair value. Fair value is the price that would be received if an asset were sold or transferred in an orderly transaction as at the date of the accounts. For most assets held by the council, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price.

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 March 2018, using the following methods and assumptions:

- The fair value of Public Works Loan Board (PWLB) Loans is calculated for each loan at the end of the financial year as the aggregate net present value of future cash flows, discounted using the appropriate discount rate taken from the premature repayment rates published by PWLB at close of business on the last working day of the financial year.
- The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been increased by the value of the embedded options. Lender’s 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 increase 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 investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March 2018.
- Local Authorities sometimes give financial guarantees that require them to make specified payments to reimburse the holder of a debt if the debtor fails to make payment when due. The council has provided a financial guarantee in respect of Lincs Inspire Limited. The fair values of financial guarantees are measured at the higher of the amount recognised initially and the amount determined in accordance with IAS 37. Therefore, the carrying amount of the financial guarantee will remain at the original amount estimated at inception (less cumulative amortisation) unless payment under the guarantee becomes probable.
- 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 Temporary Borrowing (where an instrument has a maturity date of less than 12 months hence) and trade payables is taken to be the carrying amount or billed amount.

This table shows the carrying value and fair value of the loans to the council by the Public Works Loans Board and other organisations.

	Fair Value Level	31 March 2018			31 March 2017	
		Carrying Amount	Fair Value	Effect of 1% rise in interest rates	Carrying Amount	Fair Value
		£'000	£'000	£'000	£'000	£'000
PWLB Debt	2	73,858	107,030	(16,167)	52,664	85,418
Non PWLB Debt	2	41,660	89,360	(23,084)	41,000	88,487
Temporary Borrowing	2	12,655	13,053	(3,985)	13,140	13,140
Total Debt		**128,173**	**209,443**	**(43,236)**	**106,804**	**187,045**

The fair value of the liabilities is greater than the carrying amount because the council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional loss (based on economic conditions as at 31 March 2018) arising from the commitment to pay interest to lenders above current market rates.

Note 19 – Debtors

Debtors are financial assets not traded in an active market with fixed or determinable payments that are contractual rights to receive cash or cash equivalents.

	Long Term Debtors		Short Term Debtors	
	2017/2018	2016/2017	2017/2018	2016/2017
	£000	£000	£000	£000
Central Government Bodies	0	0	4,063	5,480
Other Local Authorities	0	0	1,225	3,047
NHS Bodies	0	0	15	60
Other Entities and Individuals	0	0	27,254	23,612
Impairment Allowances	0	0	(10,704)	(10,193)
Loans and Advances	2,631	2,690	0	0
Total	**2,631**	**2,690**	**21,853**	**22,006**

Note 20 – Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash in hand/bank and short term deposits and investments (considered to be cash equivalents), net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the Balance Sheet as follows:

	2017/2018	2016/2017
	£000	£000
Cash and Bank Balances	(595)	873
Short Term Investments*	18,000	6,000
Total - Current Asset	**17,405**	**6,873**

* From the 2017/2018 financial year, Debt Management Office (DMO) investments are now being treated as Cash Equivalents (previously reported within Note 18 Financial Instruments)

Note 21 – Assets Held for Sale

There are no longer assets that meet the necessary conditions to be classed within this category.

	Current	
	2017/2018	2016/2017
	£000	£000
Balance outstanding at start of year	**717**	**473**
Additions	0	0
Transferred from Non-Current Assets during year:		
- Property Plant and Equipment	0	0
Revaluation losses	0	0
Revaluation gains to revenue	0	244
Impairment losses	0	0
Assets declassified as held for sale:		
- Property Plant and Equipment	(415)	0
Assets sold	(302)	0
Balance outstanding at year-end	**0**	**717**

Note 22 – Creditors

The following amounts are owed by the council within the next twelve months:

	2017/2018	2016/2017
	£000	£000
Central Government Bodies	11,977	10,412
Other Local Authorities	530	1,071
NHS Bodies	1,055	1,442
Other Entities and Individuals	14,329	13,702
Total Short Term Creditors	**27,891**	**26,627**

Note 23 – Provisions

A provision is a liability of uncertain timing or amount. Amounts and timings are subject to future insurance and legal decisions.

2017/2018	Balance as at 1 April 2017	Increase / (Decrease) in provision during year	Utilised during year	Unused Amounts Reversed	Balance as at 31 March 2018	Estimated to be Settled:	
						Within One Year	Beyond One Year
Provision	£000	£000	£000	£000	£000	£000	£000
NNDR Appeals	7,403	(379)	(1,156)	(302)	5,566	869	4,697
Self-Insurance	877	1,413	(1,433)	0	857	281	576
Other	0	0	0	0	0	0	0
Total	**8,280**	**1,034**	**(2,589)**	**(302)**	**6,423**	**1,150**	**5,273**

2016/2017	Balance as at 1 April 2016	Increase / (Decrease) in provision during year	Utilised during year	Unused Amounts Reversed	Balance as at 31 March 2017	Estimated to be Settled:	
						Within One Year	Beyond One Year
Provision	£000	£000	£000	£000	£000	£000	£000
NNDR Appeals	8,177	3,615	(4,000)	(389)	7,403	1,336	6,067
Self-Insurance	2,251	1,658	(3,032)	0	877	214	663
Other	359	0	0	(359)	0	0	0
Total	**10,787**	**5,273**	**(7,032)**	**(748)**	**8,280**	**1,550**	**6,730**

National Non-Domestic Rates Appeals (NNDR)

This provision has been established to meet the council's share of the estimated costs of settling appeals against the NNDR valuation of properties currently lodged with the Valuation Office Agency (VOA).

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 is based on the assessed liability in respect of known claims at that date.

Other

Previously a number of small provisions were held to account for potential liabilities that were likely to result in a payment having to be made by the council but for which the timing and amount were uncertain. Following a review during the 2016/2017 financial year, it was determined that the balances held on these provisions were no longer required.

Note 24 – Usable Reserves

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

Note 25 – Unusable Reserves

Unusable Reserves

	2017/2018 £000	2016/2017 £000
Revaluation Reserve	48,555	48,154
Capital Adjustment Account	77,894	78,339
Pensions Reserve	(184,908)	(190,817)
Collection Fund Adjustment Account	3,686	1,348
Accumulated Absences Account	(1,331)	(1,425)
Total Unusable Reserves	**(56,104)**	**(64,401)**

Capital Adjustment Account

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

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

	2017/2018		2016/2017	
	£000	£000	£000	£000
Balance at 1 April		**78,339**		**82,568**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(10,538)		(6,539)	
Revaluation losses on Property, Plant and Equipment	(1,874)		(2,107)	
Amortisation of Intangible Assets	(1,375)		(1,269)	
Revenue expenditure funded from capital under statute	(4,692)		(4,180)	
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	(6,662)		(12,611)	
		(25,141)		**(26,706)**
Adjusting amounts written out of the Revaluation Reserve		4,109		4,188
Net written out amount of the cost of non-current assets consumed in the year		**(21,032)**		**(22,518)**
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	3,975		760	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	12,934		12,457	
Application of grants to capital financing from the Capital Grants Unapplied Account	121		161	
Statutory provision for the financing of capital investment charged against the General Fund	4,917		5,946	
Capital expenditure charged against the General Fund	219		101	
		22,166		**19,425**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(1,579)		(1,136)
Balance at 31 March		**77,894**		**78,339**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets.

The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

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

	2017/2018 £000	2016/2017 £000
Balance at 1 April	**48,154**	**46,476**
Upward revaluation of assets	4,517	6,899
Downward revaluation of assets and impairment losses not charge to the Surplus or Deficit on the Provision of Services	(7)	(1,033)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**4,510**	**5,866**
Difference between fair value depreciation and historical cost depreciation	(2,777)	(523)
Revaluation balances on assets scrapped or disposed of	(1,332)	(3,665)
Amount written off to the Capital Adjustment Account	**(4,109)**	**(4,188)**
Balance at 31 March	**48,555**	**48,154**

Pensions Reserve

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

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

	2017/2018 £000	2016/2017 £000
Balance at 1 April	**(190,817)**	**(176,436)**
Re-measurements of the net defined benefit liability/(asset)	14,067	(12,077)
Pension Prepayment Adjustment	(9,335)	0
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(18,988)	(13,290)
Employer's pensions contributions and direct payments to pensioners payable in the year	20,165	10,986
Balance at 31 March	**(184,908)**	**(190,817)**

Collection Fund Adjustment Account

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

	2017/2018 £000	2016/2017 £000
Balance at 1 April	**1,348**	**58**
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	2,338	1,290
Balance at 31 March	**3,686**	**1,348**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2017/2018 £000	2016/2017 £000
Balance at 1 April	**(1,425)**	**(1,484)**
Settlement or cancellation of accrual made at the end of the preceding year	1,425	1,484
Amounts accrued at the end of the current year	(1,331)	(1,425)
Balance at 31 March	**(1,331)**	**(1,425)**

Note 26 – Cashflow from Operating Activities

The cash flows from operating activities include the following items:

	2017/2018 £000	2016/2017 £000
Interest Paid	**(4,073)**	(4,003)
Interest Received	122	91
Total	**(3,951)**	**(3,912)**

	2017/2018 £000	2016/2017 £000
Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements:		
Depreciation	12,433	6,540
Impairment & Downward Valuations	1,874	2,108
Amortisation	1,375	1,269
(Increase)/Decrease in Debtors	(651)	(1,301)
Increase/(Decrease) in Creditors	(502)	(449)
(Increase)/Decrease in Inventories	156	8
Movement in Pension Liability	(1,177)	2,304
Carrying Amount of Non-Current Assets, and Non-Current Assets Held for Sale, Sold or De-recognised	6,451	12,611
Other Items Charged to the Net Surplus or Deficit on Provision of Services	(2,214)	(1,626)
Total	**17,745**	**21,464**
Adjustment for Items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities:		
Proceeds from the Sale of PP&E, Investment Property and Intangible Assets	(3,981)	(751)
Any other Items for which the Cash Effects are Investing or Financing Cash Flows	(8,414)	(12,739)
Total	**(12,395)**	**(13,490)**

Note 27 – Cashflow from Investing Activities

	2017/2018 £000	2016/2017 £000
Purchase of PP&E, investment property and intangible assets	(15,701)	(23,403)
Purchase of Short Term & Long Term Investments	0	(4,900)
Other Payments for Investing Activities	(175)	(394)
Proceeds from the sale of PP&E, investment property and intangible assets	3,981	751
Proceeds from Short Term Investments (not considered to be cash equivalents)	0	5,451
Other Receipts from Investing Activities	13,247	16,811
Net Cash flows from Investing Activities	**1,352**	**(5,684)**

Note 28 – Cashflow from Financing Activities

	2017/2018 £000	2016/2017 £000
Cash Receipts of Short Term and Long Term Borrowing	46,525	18,034
Other Receipts from Financing Activities	0	0
Repayment of Short Term and Long Term Borrowing	(26,034)	(5,724)
Other payments for Financing Activities	2,550	125
Net Cash flows from Financing Activities	**23,041**	**12,435**

Note 29 – Pooled Budgets

Better Care Fund

The Better Care Fund is a government plan to integrate health and social care by 2020, which is implemented via a Section 75 pooled budget arrangement. This council 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 detailing progress continue to be submitted by NELCCG to NHS England.

The focus continues to support projects to deliver four key performance metrics and the high impact change model. The four performance metrics are:

- Non elective admissions
- Residential admissions
- Reablement
- Delayed transfers of care

Funding of services to support these performance metrics include Intermediate Tier Services (these are concerned with reablement - most often as a 'half-way home' service on hospital discharge, recovery as a step down from hospital, and urgent community response with hospital avoidance potential by means of swift interventions at home or using a short term step–up bed), Single Point of Access, Assisted Living Centre, Support to Care Homes, Seven Day Service Provision and Just Checking.

Details of the in-year pool income and expenditure are as follows:

	2017/2018 £000	2016/2017 £000
Funding provided to the pooled budget:		
North East Lincolnshire CCG North East Lincolnshire Council	(11,357) (6,755)	(11,157) (2,206)
	(18,112)	**(13,363)**
Expenditure met from the pooled budget:		
North East Lincolnshire CCG North East Lincolnshire Council	11,357 5,849	11,157 1,684
	17,206	**12,841**
Net surplus arising on the pooled budget during the year (100% Attributable to NELC)	**(906)**	**(522)**

Note 30 – Members' Allowances

The council paid the following amounts to elected members of the council during the year:

	2017/2018 £000	2016/2017 £000
Allowances	483	488
Expenses	5	10
Total	**488**	**498**

A breakdown of amounts paid directly to members can be found on the council's website (www.nelincs.gov.uk).

Note 31 – Officers' Remuneration

Senior Officer Remuneration

The following table details the remuneration received by members of the council's Leadership Team:

Post Title	Financial Year	Basic Salary £	Salary Supplement £	Benefits in Kind £	Expense Allowance £	Compensation for Loss of Office £	Pension Contribution £	Total £
Chief Executive – R Walsh	2017/18	155,000	0	0	0	0	23,250	**178,250**
	2016/17	135,000	0	0	215	0	20,250	**155,465**
Deputy Chief Executive	2017/18	120,000	0	0	90	0	18,000	**138,090**
	2016/17	120,000	0	0	223	0	18,000	**138,223**
Director - Health & Wellbeing (Director of Public Health)	2017/18	92,728	3,954	0	17	0	13,903	**110,602**
	2016/17	110,980	3,923	1,358	19	0	16,431	**132,711**
Director – Finance Operations & Resources (Chief Finance Officer)	2017/18	93,645	0	0	0	0	14,047	**107,692**
	2016/17	92,718	0	0	6	0	13,908	**106,632**
Director - Economy & Growth	2017/18	92,728	0	0	0	0	13,909	**106,637**
	2016/17	92,856	0	0	65	0	14,021	**106,942**
Director - Adult Services	2017/18	85,363	0	0	0	0	12,804	**98,167**
	2016/17	84,518	0	0	2	0	12,678	**97,198**
Director - Children's Social Care (post redundant with effect from 31/03/2018)	2017/18	85,363	0	0	7	108,000	12,804	**206,174**
	2016/17	84,518	0	0	8	0	12,678	**97,204**
Director – Governance, Democracy & Community Engagement	2017/18	85,363	0	0	6	0	12,804	**98,173**
	2016/17	84,518	0	0	13	0	12,678	**97,209**
Director – Prevention & Early Health	2017/18	88,522	0	0	20	0	13,278	**101,820**
	2016/17	84,518	0	0	0	0	12,678	**97,196**
Chief Legal Officer (Monitoring Officer)	2017/18	61,341	0	0	43	0	9,201	**70,585**
	2016/17	75,936	0	0	12	0	11,390	**87,338**

Notes – Senior Officer Remuneration:

From August 2017 a new joint role of Chief Executive North East Lincolnshire Council and North East Lincolnshire Clinical Commissioning Group (CCG) was created to facilitate greater partnership working between the two organisations. NELC receives a contribution of £39k per annum (£26k pro rata for 2017/2018) from the CCG in relation to this arrangement.

In 2016/2017, an additional salary amount was paid to the Director of Health and Wellbeing. This was reimbursed by North Lincolnshire Council to cover the responsibilities of a temporary joint role across both councils for a period of 8 months.

Senior Employee Remuneration

Excluding Senior Officers who are listed individually in the previous table, the number of council employees whose remuneration was £50k or more is as follows:

Remuneration Bands	2017/2018			2016/2017		
	Teachers	Other Staff	Total	Teachers	Other Staff	Total
£50,001 to £55,000	6	21	**27**	6	27	**33**
£55,001 to £60,000	3	7	**10**	2	4	**6**
£60,001 to £65,000	2	9	**11**	3	10	**13**
£65,001 to £70,000	1	5	**6**	1	3	**4**
£70,001 to£ 75,000	0	2	**2**	0	1	**1**
£75,001 to £80,000	0	2	**2**	1	1	**2**
£80,001 to £85,000	1	1	**2**	0	3	**3**
£85,001 to £90,000	0	0	**0**	0	0	**0**
£90,001 to £95,000	0	1	**1**	0	2	**2**
£95,001 to £100,000	0	0	**0**	0	0	**0**
£100,001 to £105,000	0	0	**0**	0	0	**0**
£105,001 to £110,000	0	1	1	0	0	0
Total	**13**	**49**	**62**	**13**	**51**	**64**

Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018 £000	2016/2017 £000
£0 - £20,000	7	24	49	35	56	59	428	339
£20,001 - £40,000	1	2	10	9	11	11	267	339
£40,001 - £60,000	1	0	8	6	9	6	440	282
£60,000 - £150,000	2	0	3	3	5	3	473	270
Total cost included in CIES							**1,608**	**1,230**

Note 32 – External Audit Costs

The council has incurred the following costs relating to the annual audit of the Statement of Accounts, certification of grant claims and other services provided by the council's external auditors.

	2017/2018 £000	2016/2017 £000
Fees payable to KPMG with regard to external audit services carried out by the appointed auditor for the year	119	119
Fees payable to KPMG for the certification of grant claims and returns for the year	15	16
Fees payable in respect of other services provided by KPMG during the year	0	0
Total Fees Payable	**134**	**135**

Note 33 – Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2017. The Schools Budget includes elements for a range of educational services provided on a council-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 2017/2018 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2017/2018 before Academies recoupment			127,406
Academy figure recouped for 2017/2018			(98,693)
Total DSG after academy recoupment for 2017/2018	**11,861**	**16,852**	**28,713**
Plus: Brought forward from 2016/2017	3,712	0	3,712
Less: Carry forward to 2018/2019 (agreed in advance)	0	0	0
Agreed initial budgeted distribution in 2017/2018	**15,573**	**16,852**	**32,425**
In year adjustments	(166)	(607)	**(773)**
Final budget distribution for 2017/2018	**15,407**	**16,245**	**31,652**
Less: Actual central expenditure	(14,217)		(14,217)
Less: Actual ISB deployed to schools		(16,245)	(16,245)
Plus: Local Authority contribution for 2017/2018	0	0	**0**
Plus: Carry forward to 2018/2019 (agreed in advance)	0	0	0
Carry forward to 2018/2019	**1,190**	**0**	**1,190**

Note 34 – Grant Income

The council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement during the year:

Credited to Taxation and Non-Specific Grant Income	2017/2018 £000	2016/2017 £000
Council Tax Income	(60,781)	(57,502)
Non Domestic Rates Income and Expenditure	(39,193)	(37,911)
Revenue Support Grant	(17,756)	(24,265)
Other non-ring-fenced grants	(6,546)	(2,415)
Capital Grants	(9,180)	(10,697)
Total	**(133,456)**	**(132,790)**

Credited to Services	2017/2018 £000	2016/2017 £000
Rent Allowances	(51,296)	(54,702)
Dedicated Schools Grant	(28,713)	(29,225)
Regional Growth Fund	0	(482)
Other Grants	(28,483)	(30,251)
Total	**(108,492)**	**(114,660)**

The council received a grant of £0.35m from the Youth Justice Board which is reflected in the above figures. The grant was expended in accordance with the conditions attached to the grant award.

The council has received a number of grants and contributions that have yet to be recognised as income which have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

Grants Received in Advance	2017/2018 £000	2016/2017 £000
Capital Grants	(3,958)	(5,100)
Revenue Grants	(805)	(1,797)
Total	**(4,763)**	**(6,897)**

Note 35 – Related Parties

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

Central Government

Central government has significant control over the general operations of the council – it is responsible for providing 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. council tax bills, housing benefits). Grants receipts are shown in Note 34.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2017/2018 is shown in Note 30. During 2017/2018, works and services were commissioned by companies in which four members had an interest, the net value of which totals £31k. Contracts were entered into in full compliance with the council's standing orders. In addition, cabinet members paid grants totalling £311k to voluntary organisations in which eight members had interests, £4.4m to charities (including £2.868m in relation to Lincs Inspire) in which eleven members had interests and £258k to Not for Profit Organisations of which six members had interests. The relevant members did not take part in any discussion or decision relating to the payments. The Members' Register of Interests is open to public inspection on the council's website.

Officers

Officers that might be in a position to influence significantly the policies of the council are considered to be members of the Leadership Team. Payments totalling £2k were made to companies in which senior officers had an interest or to individuals related to senior officers. The payments were made in accordance with standing orders and the officers were not involved in the decision to make the payment.

Other Public Bodies

The council has a pooled budget arrangement with North East Lincolnshire CCG in relation to the Better Care Fund. Transactions and balances outstanding are detailed in Note 29.

Note 36 – Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year, together with the resources that have been used to finance it, is shown in the table below. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed. The CFR is analysed in the second part of this note.

Capital Expenditure and Capital Financing	2017/2018 £000	2016/2017 £000
Opening Capital Financing Requirement	**159,691**	**152,138**
Capital Investment		
Property, Plant and Equipment	11,959	15,575
Investment Properties	1,903	7,116
Intangible Assets	1,167	0
Other	0	107
Revenue Expenditure Funded from Capital under Statute	4,692	4,180
	19,721	**26,978**
Sources of finance		
Capital receipts	(3,975)	(760)
Government grants and other contributions	(13,055)	(12,618)
Other Contributions	0	0
Sums set aside from revenue:		
Direct revenue contributions:		
General	(219)	(101)
Minimum/Voluntary Revenue Provision	(4,917)	(5,946)
	(22,166)	**(19,425)**
Closing Capital Finance Requirement	**157,246**	**159,691**
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	(2,445)	7,553
Increase/(decrease) in Capital Financing Requirement	**(2,445)**	**7,553**

Note 37 – Leases

Council as Lessee

Finance Leases

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

Operating Leases

The council leases a number of buildings, mainly for office accommodation, that are accounted for as operating leases. The rentals payable in 2017/2018 were £279k (£342k in 2016/2017).

The council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the council and finance costs that will be payable by the council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

Minimum lease payments due:	**2017/2018** £000	**2016/2017** £000
No later than 1 year	301	196
Later than 1 year and no later than 5 years	431	244
Later than 5 years	684	393
Total	**1,416**	**833**

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

	2017/2018 £000	**2016/2017** £000
Minimum lease payments	279	342
Less: Sublease payments receivable	(133)	(150)
Total	**146**	**192**

Council as Lessor

Operating Leases

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

Minimum lease rentals receivable:	**2017/2018** £000	**2016/2017** £000
No later than 1 year	(2,089)	(2,418)
Later than 1 year and no later than 5 years	(7,669)	(8,663)
Later than 5 years	(100,500)	(98,879)
Total	**(110,258)**	**(109,960)**

Note 38 – Impairment Losses

There were no material physical impairment losses charged to the Surplus/Deficit on the Provision of Services in 2017/2018. All non-enhancing spend was impaired, the most significant of which was £1.7m relating to the development of the CATCH facility. This has been charged to the Financing & Investment Income Expenditure line in the Comprehensive Income & Expenditure Statement.

Note 39 – Termination Benefits

The council terminated the contracts of a number of employees in 2017/2018, incurring liabilities of £1.608m (£1.230m in 2016/2017) – see Note 31 for the number of exit packages and total cost per band.

Note 40 – Pension Schemes Accounted for as Defined Contribution Schemes

Teachers

Teachers employed by the council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The Scheme provides teachers with specified benefits upon their retirement, and the council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is a multi-employer defined benefit scheme. The Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The Scheme has many participating employers and consequently 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.

In 2017/2018, the council paid £0.738m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay. The figures for 2016/2017 were £0.925m and 16.48% respectively. There were no contributions remaining payable at the year-end. The contributions due to be paid in the next financial year are estimated to be £0.743m.

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 benefit basis as detailed in Note 41.

The council is not liable to the scheme for any other entities' obligations under the plan.

Public Health staff

Since 1 April 2013, public health staff have been employed by the council. These members of staff retained access to the NHS Pension Scheme administered by the NHS Business Services Authority on behalf of the Department of Health and Social Care. The Scheme is run on the same basis as the teachers' pension scheme.

In 2017/2018, the council paid £0.337m to the NHS Pension Scheme in respect of the retirement benefits of public health staff, representing 14.38% of pensionable pay. In 2016/2017, the council paid £0.397m to the NHS Pension Scheme, representing 14.30% of pensionable pay. There were no contributions remaining payable at the year-end. Contributions due to be paid in the next financial year are estimated to be £0.312m.

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

Note 41 – Defined Benefit Pension Schemes

Participation in the Local Government Pension Scheme

As part of the terms and conditions of employment of its officers, NELC 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 council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The council participates in two post-employment schemes:

(i) The Local Government Pension Scheme, administered locally by East Riding of Yorkshire Council - this is a funded defined benefit final salary scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

(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 liabilities, and cash has to be generated to meet actual pension payments as they eventually 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 Pensions Fund Regulations.

The principal risks to the council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions relating to Post-Employment Benefits

The council recognises the cost of retirement benefits in the reported cost of service when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the council is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement on Reserves Statement.

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

	Local Government Pension Scheme		Discretionary Benefits	
	2017/2018	2016/2017	2017/2018	2016/2017
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Cost of services:				
Service cost comprising:				
Current service cost	13,724	8,827	0	0
Past service cost	673	279	0	0
(Gain)/loss from settlements	(461)	(1,742)	0	0
Financing and Investment Income and Expenditure:				
Net Interest expense	5,052	5,926	0	0
Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services	**18,988**	**13,290**	**0**	**0**
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement:				
Re-measurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(2,564)	(88,282)	0	0
Actuarial gains and losses arising on changes in demographic assumptions	0	(11,923)	0	0
Actuarial gains and losses arising on changes in financial assumptions	(12,134)	92,445	621	2,404
Other	10	17,433	0	0
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	**4,300**	**22,963**	**621**	**2,404**
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	**(18,988)**	**(13,290)**	**0**	**0**
Actual amount charged against the general fund balance for pensions in the year:				
Employers' contributions payable to scheme	**18,100**	**8,782**		
Retirement benefits payable to pensioners			**2,065**	**2,204**

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the council's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme		Discretionary Benefits	
	2017/2018	2016/2017	2017/2018	2016/2017
	£000	£000	£000	£000
Present value of the defined obligation	(624,735)	(622,140)	(25,583)	(27,027)
Fair value of plan assets	474,745	458,350	0	0
Net liability arising from the defined benefit obligation	**(149,990)**	**(163,790)**	**(25,583)**	**(27,027)**
Total Liability	**(175,573)**	**(190,817)**		

Reconciliation of movements in the fair value of scheme assets:

	Local Government Pension Scheme		Discretionary Benefits	
	2017/2018	2016/2017	2017/2018	2016/2017
	£000	£000	£000	£000
Opening fair value of scheme assets	458,350	365,847	0	0
Interest income	11,752	12,296	0	0
Remeasurement gain / (loss):				
The return on plan assets, excluding the amount included in the net interest expense	2,564	88,282	0	0
Other (if applicable)	0	0	0	0
The effect of changes in foreign exchange rates	0	0	0	0
Contributions from employer	18,100	8,782	2,065	2,204
Contributions from employees into the scheme	2,330	2,284	0	0
Benefits/transfers paid	(18,066)	(18,746)	(2,065)	(2,204)
Other (if applicable)	(285)	(395)	0	0
Closing value of scheme assets	**474,745**	**458,350**	**0**	**0**

Reconciliation of present value of the scheme liabilities:

	Local Government Pension Scheme		Discretionary Benefits	
	2017/2018	2016/2017	2017/2018	2016/2017
	£000	£000	£000	£000
Opening balance at 1 April	(622,140)	(515,456)	(27,027)	(26,827)
Current service cost	(13,724)	(8,827)	0	0
Interest cost	(16,804)	(18,222)	0	0
Contributions from scheme participants	(2,330)	(2,284)	0	0
Remeasurement (gains) and losses:				
Actuarial (gains)/losses from changes in demographic assumptions	0	11,923	0	0
Actuarial (gains)/losses from changes in financial assumptions	12,134	(92,445)	(621)	(2,404)
Other (if applicable)	(10)	(17,433)	0	0
Past service cost	(673)	(279)	0	0
Losses/(gains) on curtailments where relevant	0	0	0	0
Benefits/transfers paid	18,066	18,746	2,065	2,204
Liabilities extinguished on settlements (where relevant)	746	2,137	0	0
Balance as at 31 March	**(624,735)**	**(622,140)**	**(25,583)**	**(27,027)**

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets	
	2017/2018	**2016/2017**
	£000	£000
Cash and cash equivalents	**13,426**	**13,391**
Equities:		
by industry type		
Consumer	45,069	44,963
Manufacturing	26,419	24,952
Energy and utilities	25,007	25,829
Financial institutions	20,860	28,451
Health and care	25,576	26,784
Information technology	17,948	17,554
Other	0	160
sub-total equity	**160,879**	**168,693**
Bonds:		
by sector		
Corporate (Investment Grade)	6,465	7,100
Corporate (non-Investment Grade)	25,434	13,486
UK Government	18,580	13,588
Other	12,158	14,101
sub-total bonds	**62,637**	**48,275**
Property:		
UK	**53,712**	**53,621**
Private equity		
All	**21,214**	**21,424**
Other investment funds:		
Equities	123,352	106,516
Infrastructure	18,931	16,643
Other	20,594	29,787
sub-total other investment funds	**162,877**	**152,946**
Total assets	**474,745**	**458,350**

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the East Riding Pension Fund being based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary are set out in the following table:

	Local Government Pension Scheme	
	2017/2018	2016/2017
Mortality assumptions:		
Longevity at 65 current pensioners (years):		
Men	21.7	21.7
Women	24.2	24.2
Longevity at 65 for future pensioners (years):		
Men	23.7	23.7
Women	26.4	26.4
Financial assumptions:		
Rate of increase in salaries	2.6%	2.6%
Rate of increase in pensions	2.4%	2.4%
Discount Rate	2.7%	2.6%
Rate of Inflation (CPI)	2.4%	2.4%

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

Change in Assumption at 31 March 2018	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.5% decrease in real Discount Rate	9%	59,977
0.5% increase in the Salary Increase Rate	1%	6,703
0.5% increase in the Pension Increase Rate	8%	52,670

Impact on the Council's Cash Flows

It has been estimated that the contributions to the scheme for 2018/2019 will be approximately £8.111m.

Note 42 – Contingent Liabilities

General Business Rate Appeals

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. These new arrangements for 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 successfully appealed against the rateable value of their properties on the rating list.

In 2017 a new rating list opened and the 2010 rating list closed; local businesses can only now appeal against their rateable value in the 2010 list in limited circumstances. Due to this, the provision for the 2010 list has been estimated using trend analysis of the success and rate change based on each type of business rate category since the 2010 list opened. The provision for the 2017 list has been calculated using an average percentage rate in line with the multiplier uplift advised by central government. As a result the council has included a total provision, covering both the 2010 and 2017 lists, of £5.6m (the overall provision in the Business Rates Collection Fund is £11.4m and this council's share of the Local Business Rates Retention scheme is 49%).

There may 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.

NHS Trust Business Rate Appeal

The council is aware of an ongoing business rate appeal, whereby a number of NHS Trusts are taking forward a claim for NNDR Mandatory Charitable Relief to the High Court. One of the parties to the appeal is the Northern Lincolnshire and Goole Hospitals NHS Trust which currently pays business rates on the Diana, Princess of Wales Hospital in Grimsby. The financial impact of the appeal will depend on whether the Trusts are successful and the dates any relief is awarded for. No provision has been made within the accounts for the appeal at this stage, given the uncertainties surrounding the case. However, it is estimated that the maximum impact could be in the region of £1.5m for the council, if the appeal is successful.

Note 43 – Contingent Assets

The council does not have any material contingent assets.

Note 44 – Nature and Extent of Risks Arising from Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the council.
- Liquidity risk – the possibility that the council might not have funds available to meet its commitments to make payments.
- Re-financing and Maturity risk – the possibility that the council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that financial loss might arise for the council as a result of changes in such measures as interest rates and stock market movements.

The council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the council in the annual Treasury Management Strategy. The council provides written principles for overall risk management, as well as written policies.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers.

This risk is minimised through the annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by S & P Global, Fitch, and Moody's Ratings Services. The annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

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 approved by full Council on 23 February 2017. 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 £5m 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 council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. A risk of non-recovery applies to all of the council's deposits, but there was no evidence at the 31 March 2018 that this was likely to crystallise.

Liquidity Risk

The council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The council has ready access to borrowing at favourable rates from the Public Works Loans Board (PWLB) and other local authorities. The council is also required to set a balanced budget through the

Local Government Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is no significant perceived risk that the council will be unable to raise finance to meet its commitments.

Re-financing and Maturity Risk

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

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow need.

The maturity analysis of financial liabilities is as follows:

	31 March 2018	31 March 2017
	£000	£000
Less than one year	18,994	21,225
Between one and two years	7,877	702
Between two and five years	2,160	2,065
Between five and ten years	5,723	4,095
Between 10 and 20 years	10,090	9,850
Over 20 years	62,329	55,236
Uncertain Date*	21,000	21,000
Total	**128,173**	**114,173**

* The council has £21m of "Lender 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 those loans. The maturity date is therefore uncertain.

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 council. 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.

The council has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

Investments classed as "loans and receivables" are not carried at fair value, so changes in their fair value would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement. Movements in the fair value of fixed rate investments that have a quoted market price 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.

Price risk

The market prices of any council 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. This will typically only apply where an investment is held as available for sale.

Note 45 – 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 three miscellaneous funds that retained balances at 31 March 2018. The movements on which during the year were as follows:

	2017/2018			2016/2017		
	Charter Trustees £000	**Other Funds** £000	**Total** £000	**Charter Trustees** £000	**Other Funds** £000	**Total** £000
Opening Balance at 1 April	121	48	169	89	47	136
In Year Movement	(2)	(22)	(24)	32	1	33
Closing Balance at 31 March	**119**	**26**	**145**	**121**	**48**	**169**

Note 46 – Agency Income & 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.

The income and expenditure associated with the Payroll Service to academy schools is not material to the accounts.

Note 47 – Long Term Contracts

Engie (previously known as Balfour Beatty Workplace and Cofely)

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

This 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 council if they are not met.

The initial value of the contract over the 10 years was £155m of which payments of £11.9m were made in 2017/2018. 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

On 1st May 2015 the council entered into a 25 year contract with Lincs Inspire to provide the following services:

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

Lincs Inspire deliver and improve outcomes via a rolling three year business plan. In 2017/2018 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.

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.

COLLECTION FUND

The Collection Fund shows the transactions of the billing council in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates. There is no requirement for a Collection Fund Balance Sheet since the assets and liabilities arising from collecting non-domestic rates and council tax belong to the bodies (i.e. major preceptors, the billing council and the Government) on behalf of which the billing council collects these taxes.

2016/2017			Collection Fund	2017/2018		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£000	£000	£000		£000	£000	£000
			INCOME			
	(69,142)	(69,142)	Council Tax Receivable		(73,019)	(73,019)
(65,529)		(65,529)	Business Rates Receivable	(65,621)		(65,621)
(163)		(163)	Transitional Protection Payments Receivable			
(65,692)	**(69,142)**	**(134,834)**	**Total amounts to be credited**	**(65,621)**	**(73,019)**	**(138,640)**
			EXPENDITURE			
			Apportionment of Previous Year Surplus/Deficit			
(1,088)		(1,088)	Central Government	(1,197)		(1,197)
(1,066)	492	(574)	Billing Authority	(1,173)	819	(354)
(22)	29	7	Fire Authority	(24)	47	23
	68	68	Police Authority		110	110
			Precepts, demands and shares			
33,654		33,654	Central Government	28,454		28,454
32,981	56,346	89,327	Billing Authority	27,885	59,941	87,826
673	3,260	3,933	Fire Authority	569	3,358	3,927
	7,590	7,590	Police Authority		7,847	7,847
			Charges to Collection Fund			
224	379	603	Write-offs of uncollectable amounts	536	190	726
221	196	417	Increase/(decrease) in allowance for impairment	260	676	936
(8,163)		(8,163)	Appeals charged to Appeals Provision	(2,359)		(2,359)
6,583		6,583	Change in Provision for Appeals	(1,390)		(1,390)
236		236	Charge to General Fund for allowable collection costs for non-domestic rates	227		227
			Payments in Respect of Transitional Protection	8,856		8,856
			Other transfers to General Fund in accordance with non-domestic rates regulations			
66		66	Enterprise Zone Growth	201		201
			Renewable Energy	112		112
64,299	**68,360**	**132,659**	**Total amounts to be debited**	**60,957**	**72,988**	**133,945**
(1,393)	**(782)**	**(2,175)**	**(Surplus) /deficit arising during the year**	**(4,664)**	**(31)**	**(4,695)**
2,259	(1,204)	1,055	(Surplus) / deficit brought forward at 1 April	866	(1,986)	(1,120)
866	**(1,986)**	**(1,120)**	**(Surplus) / deficit carried forward at 31 March**	**(3,798)**	**(2,017)**	**(5,815)**

Collection Fund Note 1 – Council Tax Income

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:

For the Year Ended 31 March 2018

Council Tax Band	Valuation Band Limits	£		£	Calculated Number of Dwellings	Ratio to Band D	Band D Equivalent Dwellings	Council Tax Payable £
AR	Reduced Rate				43	5/9	24	944
A	Up to & including	40,000			23,947	6/9	15,964	1,132
B		40,001	-	52,000	13,973	7/9	10,868	1,321
C		52,001	-	68,000	7,435	8/9	6,609	1,510
D		68,001	-	88,000	4,464	9/9	4,464	1,698
E		88,001	-	120,000	1,857	11/9	2,270	2,076
F		120,001	-	160,000	665	13/9	960	2,453
G		160,001	-	320,000	406	15/9	676	2,831
H	More Than			320,001	28	18/9	55	3,397
						Council Tax Base	**41,890**	

The amount of Council Tax required for Band D, for North East Lincolnshire Council and its major preceptors, in 2017/2018 was calculated on the following basis:

(i)	Preceptor's Council Tax Requirements	£71,145,374
(ii)	Number of Band D equivalent Dwellings	41,890
	Band D – (i) divided by (ii)	£1,698.39

Collection Fund Note 2 – 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 47.9p in 2017/2018 (49.7p in 2016/2017). The non-domestic rate multiplier for small businesses is 46.6p in 2017/2018 (48.4p in 2016/2017). Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by this multiplier. Local rateable values were £151.6m in 2017/2018 (£160.7m in 2016/2017).

The council is responsible for collecting rates due from the ratepayers in its area and distributing the amount collected in the following proportions:

- 50% Central Government
- 49% North East Lincolnshire Council
- 1% Humberside Fire and Rescue Service

GLOSSARY OF FINANCIAL TERMS

Financial Abbreviations and Roundings

Throughout this document the standard financial abbreviations ‘k’ and ‘m’ have been used. In this case ‘k’ means thousands and ‘m’ means millions e.g. £6k means £6,000 and £1.577m means £1,577,000. Most of the numbers in the accounts are rounded. Those in the main statements are presented to the nearest 1,000 pounds. Where necessary to ensure that totals are correct, small adjustments have been made to individual figures.

Glossary

Accruals
This is the concept of recognising income and expenditure when earned or incurred, not as money is received or paid.

Actuary
Pension expert

Amortisation
The writing off of a balance over a period of time to reflect the reduced value.

Capital Expenditure
This is expenditure on the acquisition, creation or enhancement of a fixed asset.

Capital Receipts
Income received from the sale of capital assets.

Code of Practice (The Code)
This is a document issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). All English and Welsh Local Authorities must comply with the COP in compiling their financial statements.

Collection Fund
This is a statutory fund for the receipt of Council Tax and Non-Domestic Rates collected by the authority and the payments made from these funds including precepts and payments to precepting authorities.

Community Assets
Assets that the 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 historic buildings.

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

Creditors
Amounts owed by the authority for goods and services, where payment has not been made at the end of the financial year.

Current Assets
Current assets are items that can be readily converted into cash.

Current Liabilities
Current liabilities are items that are due immediately or in the short term.

Curtailments (Pension)
A curtailment is an event that reduces the expected years of future service of present employees, or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Examples might include a redundancy programme as a result of e.g. closing a factory or the introduction of a defined contribution pension arrangement covering all employees for future service.

De minimis
An immaterial amount or balance.

Debtors
Amounts owed to the authority for goods and services, where the income has not been received at the end of the financial year.

Dedicated Schools Grant (DSG)
School funding for local authorities in England is provided by a ring fenced grant.

Deferred Credits
These consist of deferred capital receipts, which are amounts derived from the sales of assets that will be received in instalments over agreed periods of time and deferred government grants that are grants received in advance.

Deferred Liabilities
These are liabilities which by arrangement are payable beyond the next year at some point in the future or are paid off by an annual sum over a period of time.

Depreciation
This is the measure of the wearing out, consumption, or other reduction in the useful life of a non-current asset, whether arising from use, over time or obsolescence through technological or other changes.

Events after the balance sheet date
Those events of such materiality that their disclosure is required for the fair presentation of the authority's statements, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Exceptional Items
Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation to the accounts.

Extraordinary Items
Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items nor do they include any prior period items merely because they relate to a prior period.

General Fund
This is the main revenue account of a local authority, from which day to day spending on its services is met.

Going Concern
Accounting concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

Government Grants
Assistance by government and inter-government agencies and similar bodies, in the form of cash or transfer of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

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

International Financial Reporting Standards (IFRSs)
Statements prepared by the International Accounting Standards Board. Many of the International Financial Reporting Standards (IFRSs) and some International Public Sector Accounting Standards (IPSAS) apply to local authorities and any departure from these must be disclosed in the published accounts.

Intangible Asset
Assets that have a useful life of over one year but are not material or physical.

Infrastructure Assets
Infrastructure assets can be defined as groups of assets that together form an integrated system. Such a system could not be effectively operated if individual components were removed. Examples of such assets are highways and footpaths.

Investment Properties
Interest in land and/or buildings in respect of which construction work and development have been completed and which is held for its investment potential with any rental income being negotiated at arm's length.

Leasing
Method of financing the provision of various capital assets, usually in the form of operating leases which tend not to provide for title in the asset to transfer to the authority.

Liquid Resources
Current asset investments that are readily disposable by the authority without disrupting its business and are either: readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

Long Term Borrowing
Amounts repayable in more than 12 months.

Long Term Investments
Long-term investments are investments intended to be held for use on a continuing basis in the activities of the authority. They should be so classified only where an intention to hold the asset for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Where investments are not classified as long term investments, they are classified as current assets.

Minimum Revenue Provision (MRP)
The minimum amount which must be charged to an authority's revenue account each year for the repayment of loan principal.

National Non-Domestic Rate (NNDR)
Amounts payable to the authority from non-domestic properties. National Non-Domestic Rate is a standard rate in the pound set by central government on the assessed rateable value of properties used for business purposes.

Net Current Replacement Cost
Cost of replacing or recreating the particular asset in its existing condition and in its existing use.

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

Non-Operational Assets
Non-operational assets are tangible fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples include investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operational Assets
Tangible fixed assets held and occupied, used or consumed by the authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Precept
Demands made upon the collection fund by the authorities which it directly funds, i.e. the authority, Humberside Police and Humberside Fire and Rescue Service for the services they provide. Parish Councils also raise precepts which are paid by the authority and included within the precept it levies on the collection fund.

Property, Plant & Equipment
Tangible assets that yield benefits to the authority and the services it provides for a period of more than one year.

Provision
Amounts set aside to meet liabilities or losses which are likely to be incurred but where the amount remains uncertain.

Prudence
An accounting concept that revenue is not anticipated but is recognised only when realised in the form of either cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty. Proper allowance must be made for all known and foreseeable losses and liabilities.

Public Works Loan Board (PWLB)
A central government agency, which lends money to local authorities usually at interest rates which are more favourable than those found elsewhere.

Remuneration
All amounts paid to or receivable by a person, and includes sums due by way of expenses allowance (so far as those sums are chargeable to United Kingdom income tax), and the estimated money value of any other benefits received by an employee otherwise than in cash.

Reserves
Sums set aside to meet future expenditure. Some reserves are earmarked for specific purposes only. Others are general reserves.

Revaluation Reserve
This is an account containing any surpluses arising from the revaluation of fixed assets.

Revenue Expenditure
Expenditure on the day-to-day running of the authority, including employee costs, running expenses and capital financing costs.

Revenue Expenditure Financed From Capital Under Statute (REFCUS)
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.

Revenue Support Grant (RSG)
Grant paid to local authorities by central government to help finance its general expenditure. It is determined under the Formula Spending Share system.

Settlement (Pension)
A settlement is an irrevocable action that relieves the employer of the primary responsibility for a pension obligation and eliminates significant risks relating to the assets and liabilities in respect of that obligation. Examples would include purchasing annuities in respect of pensioner liabilities or making a bulk transfer payment to another arrangement.

Useful Life
This is the period over which the authority will derive benefits from the use of a fixed asset.