North East Lincolnshire Council
Statement of Accounts

Financial Year 2018/2019

AUDITED

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Narrative Statement

Overview

2018/2019 has been another challenging year for the Council. However despite further reductions in core grant funding and increased demand in a number of areas, the Council has continued to deliver a full range of services and ended the year with an overall balanced position. The Council has experienced pressures across a range of frontline services, including well documented challenges within the social care system, and within environment where external factors have impacted on spend during the year. Underspends within funding and corporate budgets have been used to offset service overspends and bring the overall position back within budget.

It is expected that the national trend of contracting funding settlements will continue until a new fair funding regime, incorporating 75% business rate retention, is implemented in 2020/2021. The Council expects to experience continued demand pressures during this period. Additionally, business rate appeals are still causing uncertainty for the Council in forecasting income over the medium term financial period.

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. This includes regular assessments in relation to the adequacy of its reserves. 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.

In terms of the wider economy, the UK's membership of the European Union remains uncertain and continues to impact upon growth. In common with a number of other areas, North East Lincolnshire is experiencing low wage growth and delayed inward investment. Further instability over the coming year is anticipated but the Council remains committed to its continued focus on economic growth and regeneration of the Town Centre through the Town Deal.

Governance

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 a close working relationship with North East Lincolnshire Clinical Commissioning Group to ensure an efficient and effective working relationship with the health sector and make best use of the range of skills and capacity in both organisations.

Statement of accounts and basis of preparation

The Statement of Accounts summarise the Council's financial performance during the 2018/2019 year and its financial position as at 31 March 2019. 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 Statement of 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.

IFRS 15 stipulates the accounting treatment for recognising revenue from contracts with customers. The Council has reviewed its current practice in this area and the authority currently meets the requirements of IFRS 15 so no practical changes in how the Council recognises revenue from contracts with customers is required in the 2018/19 accounts.

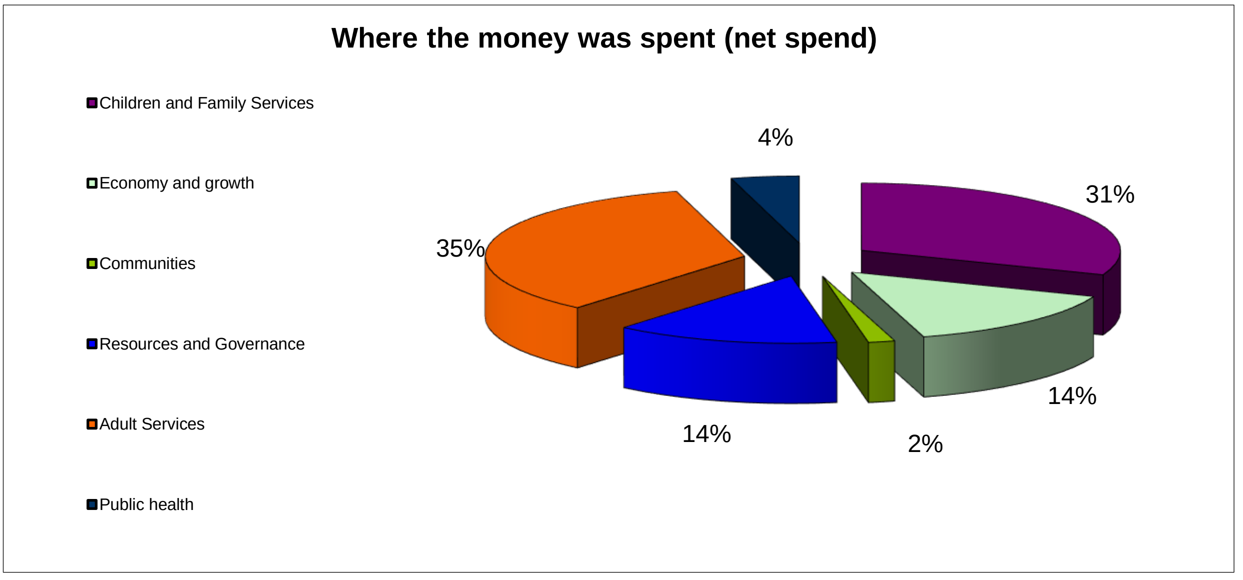
Performance

Income and expenditure

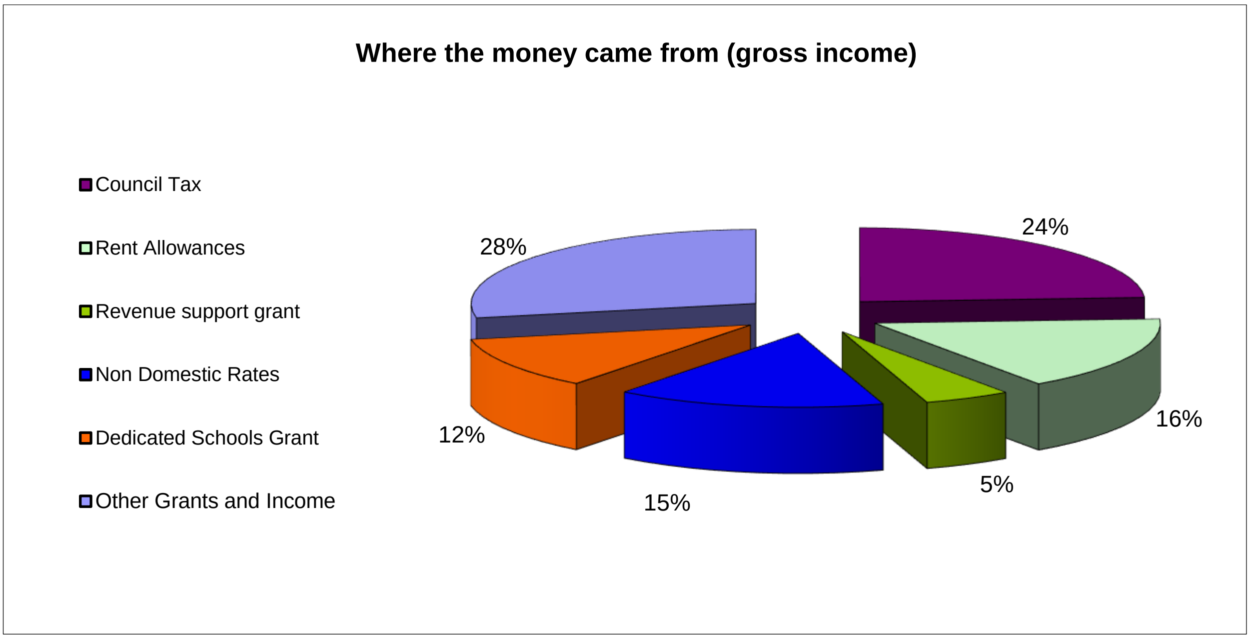
The Council spent a total of £269.6m providing services to the local population during the year. After taking into account service based grants and income of £132.5m, net expenditure on services totalled £138.1m in 2018/2019. Expenditure is incurred across a diverse range of services with adult social 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 £36.8m in its overall net worth during the year with net liabilities of £78.5m reported at year end. This is predominantly due to a movement in the pension's liability.

The pension liability of £218.7m 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 an increase of £43.1m 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 will be undertaken next year and this will establish the contribution rates payable for the next 3 years. Stability in terms of contribution rates is particularly important at a time of reducing funding levels for the Council.

The Council has reported an overall £5.1m increase in its long term assets balance at year end. This small increase 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 reported a £1m improvement in its net current asset position at year end. An increase in short term debtors, largely related to NNDR transitional relief and Council Tax within the collection fund, being offset by an increase in capital grants received in advance.

The Council continues to operate within its approved treasury management strategy and focus on the efficient management of working capital. At the present time, returns on investments are typically lower than those payable on borrowing and therefore we are holding minimum levels of cash balances to reduce the cost of carry. A minimum investment balance of £11m is held to ensure immediate cash needs of the Council are always covered.

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 2018/2019 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.

Earmarked reserves have increased by £1.7m to £29.7m during 2018/2019. This is predominantly due to underspend on capital programme which led to a reduced capital financing requirement. The underspend on capital financing has been credited to the debt financing reserve. 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 £2.2m 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 79% of its revised capital programme in 2018/2019 which compares to 83.6% in 2017/2018. The importance of the capital programme in the delivery of strategic and financial objectives has never been more important and 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. 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. 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 2018/2019 and are projected to remain below 10% in 2019/2020. Whilst the Council is undertaking further borrowing over the medium term financial planning period to support its economic and regeneration ambitions, these investments are expected to lead to an overall increase in the Council's overall tax base.

Strategic outlook

The Council is anticipating continued economic uncertainty and further reductions in its overall funding allocations over the short to medium term. In response, the Council is continuing to align financial resources to priorities, deliver its services as economically and efficiently as possible and taking a more commercial approach linked to its economic strategy. The Council will also continue to be proactive in generating external funding to support a range of initiatives linked to its key outcomes. For example, external funding has been generated to support key economic and regeneration projects including the Town Deal, Cultural Development and Coastal Communities.

Growing the tax base is critical to the delivery of the Council's financial strategy and the further extension of the business rate retention scheme from 2020/2021 will bring both risks and opportunity. The new regime will see the introduction of 75% retention of Business Rates which will be informed by a review of Fair Funding. 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 be the main route to generating additional funding for the Council. The Council's longer term plans will be informed by the outcome of these changes.

The Council has taken 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 through the 'Town Deal' and South Humber Infrastructure and Investment Programme which will deliver wider economic and housing growth in North East Lincolnshire. 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 terms of reserves, these are being continually monitored to ensure they are adequate. General fund reserves, set aside to deal with unforeseen events, remain at £8.3m and we are reviewing corporate reserves to address specific risk areas. These include reserves linked to business rates, transformational activity and insurance liabilities.

North East Lincolnshire, along with many other areas across the country, is currently facing significant challenges in relation to social care – both adults and children – with demand currently outstripping available resources. In response, the Council is continuing to support the vulnerable and focus upon system wide review and transformation. A recent Ofsted inspection of the Council's arrangements for responding to contacts and referrals highlighted weakness within the current system. It highlighted the need for the Council to take action to address a number of weaknesses in child protection. Since the visit, internal preparations have been taking place to increase resources in this area to address the issues and concerns raised by Ofsted.

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

The Director of Resources and Governance Responsibilities

The Director of Resources and Governance 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 Resources and Governance 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 Resources and Governance 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 2019 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 Resources and Governance
Date of certification: 30th July 2019

Authority Approval of Statement of Accounts

Tim Render
Audit and Governance Committee
Date of approval: 30th July 2019

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

Report on the financial statements

Opinion
We have audited the financial statements of North East Lincolnshire Council for the year ended 31 March 2019, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of North East Lincolnshire Council as at 31 March 2019 and of its 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 2018/19.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Resources and Governance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Resources and Governance's has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The Director of Resources and Governance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Director of Resources and Governance for the financial statements
As explained more fully in the Statement of the Director of Resources and Governance Responsibilities, the Director of Resources and Governance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Director of Resources and Governance is also responsible for such internal control as the Director of Resources and Governance is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Resources and Governance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Director of Resources and Governance is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements
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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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

Conclusion
On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, North East Lincolnshire Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for conclusion
We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the 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 in satisfying ourselves whether the Council put in place proper

arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

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

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources
We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Use of the audit report

This report is made solely to the members of North East Lincolnshire Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council 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 Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

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

Mark Surridge

Mark Surridge

For and on behalf of Mazars LLP

45 CHURCH STREET, BIRMINGHAM, UK, B3 2RT

31 July 2019

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards (IFRS), 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.

2017/2018					2018/2019		
Expenditure £000	**Income** £000	**Net** £000		Note	**Expenditure** £000	**Income** £000	**Net** £000
81,784	(62,877)	18,907	Resources & Governance		76,690	(54,748)	21,942
28,299	(9,734)	18,565	Economy & Growth		28,261	(8,070)	20,191
3,045	(1,160)	1,885	Communities		3,570	(1,294)	2,276
81,844	(46,669)	35,175	Children & Family Services		92,634	(50,930)	41,704
10,802	(5,735)	5,067	Public Health & Wellbeing		11,879	(6,027)	5,852
52,202	(3,956)	48,246	Adult Services		52,102	(4,283)	47,819
14,585	(2,947)	11,638	Other Corporate Budgets		4,511	(7,192)	(2,681)
272,561	**(133,078)**	**139,483**	**Cost of Services**		**269,647**	**(132,544)**	**137,103**
4,491	0	4,491	Other Operating Expenditure	**11**	6,356	0	6,356
12,233	(4,050)	8,183	Financing and Investment Income and Expenditure	**12**	11,248	(4,886)	6,362
0	(133,456)	(133,456)	Taxation and Non-Specific Grant Income and Expenditure	**13**	0	(140,494)	(140,494)
		18,701	**(Surplus) or Deficit on Provision of Services**				**9,327**
		(3,149)	(Surplus) or deficit on revaluation of Property, Plant and Equipment	**14,15**			(1,110)
		(332)	Impairment losses and reversals on non-current assets charged to the Revaluation Reserve	**14,15**			(1,871)
		(14,067)	Re-measurement of the net defined benefit liability/(asset)	**39**			30,483
		(17,548)	**Other Comprehensive Income and Expenditure**				**27,502**
		1,153	**Total Comprehensive Income and Expenditure**				**36,829**

* The 2017/2018 comparator figures have been restated to reflect a management restructure within the council during the 2018/2019 financial year.

This statement has been restated to adjust for the prior period adjustment explained in Note 45.

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 International Financial Reporting Standards (IFRS) 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 2017	**8,300**	**37,125**	**45,425**	**4**	**977**	**46,406**	**(86,941)**	**(40,535)**
Movement in reserves during the year:								
Total Comprehensive Income and Expenditure	(18,701)	0	**(18,701)**	0	0	**(18,701)**	17,548	**(1,153)**
Adjustments between accounting basis & funding basis under regulations (Note 9)	9,504	0	**9,504**	6	260	**9,770**	(9,770)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(9,197)**	**0**	**(9,197)**	**6**	**260**	**(8,931)**	**7,778**	**(1,153)**
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)**	**7,778**	**(1,153)**
Balance Sheet as at 31 March 2018	**8,300**	**27,928**	**36,228**	**10**	**1,237**	**37,475**	**(79,163)**	**(41,688)**
Movement in reserves during the year:								
Total Comprehensive Income and Expenditure	(9,327)	0	**(9,327)**	0	0	**(9,327)**	(27,502)	**(36,829)**
Adjustments between accounting basis & funding basis under regulations (Note 9)	11,072	0	**11,072**	12	(154)	**10,930**	(10,930)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**1,745**	**0**	**1,745**	**12**	**(154)**	**1,603**	**(38,432)**	**(36,829)**
Transfers to or from earmarked reserves	(1,745)	1,745	**0**	0	0	**0**	0	**0**
Increase/(Decrease) in 2018/2019	**0**	**1,745**	**1,745**	**12**	**(154)**	**1,603**	**(38,432)**	**(36,829)**
Balance Sheet as at 31 March 2019	**8,300**	**29,673**	**37,973**	**22**	**1,083**	**39,078**	**(117,595)**	**(78,517)**

This statement has been restated to adjust for the prior period adjustment explained in Note 45.

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 2018 £000		Notes	31st March 2019 £000
203,813	Property, Plant & Equipment	14	208,415
1,852	Heritage Assets	15	1,935
51,246	Investment Property	16	51,376
1,416	Intangible Assets	17	1,798
2,631	Long Term Debtors	18, 20	2,524
260,958	**Long Term Assets**		**266,048**
114	Inventories		98
21,853	Short Term Debtors	20	29,322
17,405	Cash and Cash Equivalents	21	16,672
0	Assets held for sale	22	0
39,372	**Current Assets**		**46,092**
(18,994)	Short Term Borrowing	18	(19,116)
(27,891)	Short Term Creditors	18, 23	(27,333)
(1,150)	Provisions	24	(1,455)
(3,958)	Capital Grants Received in Advance	34	(9,843)
(51,993)	**Current Liabilities**		**(57,747)**
(5,273)	Provisions	24	(5,090)
(109,179)	Long Term Borrowing	18	(109,123)
(175,573)	Other Long Term Liabilities	39	(218,697)
(290,025)	**Long Term Liabilities**		**(332,910)**
(41,688)	**Net Assets/(Liabilities)**		**(78,517)**
37,475	Usable Reserves	MiRS	39,078
(79,163)	Unusable Reserves	25	(117,595)
(41,688)	**Total Reserves**		**(78,517)**

This statement has been restated to adjust for the prior period adjustment explained in Note 45.

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.

2017/2018 £000		Notes	2018/2019 £000
(18,701)	**Net surplus or (deficit) on the provision of services**		(9,327)
17,235	Adjustment to surplus or deficit on the provision of services for non-cash movements	26	24,683
(12,184)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(16,117)
(13,650)	**Net cash flows from Operating Activities**		**(761)**
1,141	**Net cash flows from Investing Activities**	27	**4,927**
23,041	**Net cash Flows from Financing Activities**	28	**(4,899)**
10,532	**Net increase or (decrease) in cash and cash equivalents**		**(733)**
6,873	Cash and cash equivalents at the beginning of the reporting period	21	17,405
17,405	**Cash and cash equivalents at the end of the reporting period**	21	**16,672**

This statement has been restated to adjust for the prior period adjustment explained in Note 45.

NOTES TO THE ACCOUNTS

Note 1 – Accounting Policies

i. General Principles

The Statement of Accounts summarises the council's transactions for the 2018/2019 financial year and its position at the year-end of 31 March 2019. 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 2018/2019, 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet 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 income 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 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, equal to an amount calculated on a prudent basis in accordance with statutory guidance. Depreciation, revaluation and impairment losses, and amortisation are therefore replaced by the contribution in the General Fund Balance (MRP), 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.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under statutory arrangements will be made (fixed or determinable payments), the asset is written down and a charge made to Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

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 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 of restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the council to the pension fund or pensioner in the year, not the amount calculated according to 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 pension's 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.

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

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

<u>Financial Assets Measured at Amortised Cost</u>

Financial assets measured at amortised cost are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument 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 (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

<u>Expected Credit Loss Model</u>

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

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

The council has a small portfolio of loans to individuals, small businesses and other entities, which have been grouped as follows when assessing expected loss allowances:

- Group 1 – these loans, which are secured against the property, were issued to home owners and owners of derelict land and commercial properties to help pay for repairs and other urgent works to bring accommodations up to current decency standards or to facilitate bringing the properties back into use within the community. Loss allowances for these loans can be assessed on an individual basis.

- Group 2 – under a government initiative that aimed to release the economic and productivity potential of the most deprived areas across the country, the council provided loans to individuals and small businesses to aid entrepreneurial activity and support sustainable growth.
- Group 3 – for the residual group of loans, the council relies on past due information and calculates losses based on expected lifetime credit losses

<u>Financial Assets Measured at Fair Value through Profit of Loss</u>

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

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

- Instruments with quoted market prices – the market price.
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

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

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

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

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.

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 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.

Intangible assets are measured initially at cost and then 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 £10k) the Capital Receipts Reserve.

xiii. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. 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 (in the ordinary course of operations).

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use.

Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £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).

The Council as Lessor

Finance Leases

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

Measurement

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bring the asset to the location and condition necessary for it to be capable of operation in the manner intended by management.

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.

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

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:

- Assets under construction and community assets (without a determinable finite useful life) – historical cost.
- Infrastructure, community assets (with a determinable finite useful life) – depreciated historical cost.
- All other 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 subsequently reversed, 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 (1 – 99 years) of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – straight-line allocation over estimated life (1 – 20 years) of the asset or as advised by a suitably qualified officer.
- Infrastructure – straight-line allocation over the useful life of the property as estimated by a suitably qualified officer.

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 receipts are transferred to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement. The reserves can then only be used for new capital investment, or set aside to reduce the council's underlying need to borrow (the capital financing requirement).

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

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 when the council has an 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 transferring amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred 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

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code), the council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

At the Balance Sheet date the following new standards and amendments to existing standards have been published but not yet adopted:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property – provides further explanation of the instances in which a property can be reclassified as an investment property. This will have no impact on the council as it already complies.

- Amendments to IFRS9 Financial Instruments: Prepayment Features with Negative Compensation – makes clear that amortised cost should be used where prepayments are substantially lower that the unpaid principal and interest. The council has no loans to which this would apply.

- 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). CIPFA/LASAAC have deferred implementation of IFRS16 for local government until 1 April 2020.

None of the above changes are expected to have a material impact on the Statement of Accounts.

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 items in the council's Balance Sheet at 31 March 2019 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.	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 £0.8m 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 2018/2019 the council's actuaries advised that the net pension liability had increased by £43.1m. 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 £68.7m • A 0.5% increase in salary increase rate will increase the net pension liability by approximately £7.5m.
Debt Impairment	At 31 March 2019, the council had a balance of sundry debtors of £4.9m. A review of significant balances suggested that an impairment of doubtful debts of £0.9m was appropriate.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £0.9m to be set aside as an allowance.
National Non Domestic Rates (NNDR) Provision	The council has set aside, from its collection fund, £11.9m 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 £5.8m is shown in Note 24.	The impact of appeals is highly uncertain and outside of the control of the council.
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

A material item of income and expense would be greater than £5m. There was one material item for £5.06m in relation to the disposal of the former Matthew Humberstone School site to Bursar Academy. There were no other material transactions which are not disclosed separately.

Note 6 – Events After the Balance Sheet Date

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

Note 7 – Expenditure and Funding Analysis and Associated Notes

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 International Financial Reporting Standards (IFRS). It also shows how this expenditure is allocated for decision making purposes between the council's directorates. Income and expenditure accounted for under IFRS is presented more fully in the Comprehensive Income and Expenditure Statement.

Restated* 2017/2018				2018/2019				
Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the CIES £000		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
16,922	1,985	18,907	Resources & Governance	19,052	0	19,052	2,890	21,942
18,572	(7)	18,565	Economy & Growth	20,205	0	20,205	(14)	20,191
1,894	(9)	1,885	Communities	2,268	0	2,268	8	2,276
35,192	(17)	35,175	Children & Family Services	42,549	(785)	41,764	(60)	41,704
5,065	2	5,067	Public Health & Wellbeing	5,855	0	5,855	(3)	5,852
48,238	8	48,246	Adult Services	47,818	0	47,818	1	47,819
4,071	7,567	11,638	Other Corporate Budgets	3,758	822	4,580	(7,261)	(2,681)
129,954	**9,529**	**139,483**	**Net Cost of Services**	**141,505**	**37**	**142,515**	**(4,439)**	**137,103**
(129,954)	9,172	(120,782)	Other Income and Expenditure	(141,505)	(37)	(142,515)	13,766	(127,776)
0	**18,701**	**18,701**	**(Surplus) or Deficit**	**0**	**0**	**0**	**9,327**	**9,327**

2017/2018		2018/2019
8,300	Opening General Fund Balance	**8,300**
0	Surplus or (Deficit) on General Fund Balance in Year	**0**
8,300	**Closing General Fund Balance**	**8,300**

* The 2017/2018 comparator figures have been reanalysed to reflect a management restructure within the council during the 2018/2019 financial year.

This note has been restated to adjust for the prior period adjustment explained in Note 45.

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

2018/2019 Financial Year	**Adjustments for Capital Purposes** £000	**Net change for Pensions Adjustments** £000	**Other Differences** £000	**Total** £000
Resources & Governance	0	0	2,890	2,890
Economy & Growth	0	0	(14)	(14)
Communities	0	0	8	8
Children & Family Services	0	0	(60)	(60)
Public Health & Wellbeing	0	0	(3)	(3)
Adult Services	0	0	1	1
Other Corporate Budgets	(3,738)	3,132	(6,655)	(7,261)
Net Cost of Services	**(3,738)**	**3,132**	**(3,833)**	**(4,439)**
Other Income and Expenditure from the Expenditure and Funding Analysis	4,212	4,842	4,712	13,766
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**474**	**7,974**	**879**	**9,327**

2017/2018 Financial Year Restated*	**Adjustments for Capital Purposes** £000	**Net change for Pensions Adjustments** £000	**Other Differences** £000	**Total** £000
Resources & Governance	0	0	1,985	1,985
Economy & Growth	0	0	(7)	(7)
Communities	0	0	(9)	(9)
Children & Family Services	0	0	(17)	(17)
Public Health & Wellbeing	0	0	2	2
Adult Services	0	0	8	8
Other Corporate Budgets	21	3,106	4,440	7,567
Net Cost of Services	**21**	**3,106**	**6,402**	**9,529**
Other Income and Expenditure from the Expenditure and Funding Analysis	3,758	5,052	357	9,172
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**3,780**	**8,158**	**6,759**	**18,701**

* The 2017/2018 comparator figures have been reanalysed to reflect a management restructure within the council during the 2018/2019 financial year.

This note has been restated to adjust for the prior period adjustment explained in Note 45.

Segmental Income

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

	2018/2019 Revenue from External Customers £000	**2017/2018 Revenue from External Customers** £000
Resources & Governance	(8,111)	(8,913)
Economy & Growth	(4,812)	(4,806)
Communities	(837)	(1,038)
Children & Family Services	(7,330)	(6,665)
Public Health & Wellbeing	(782)	(473)
Adult Services	(971)	(387)
Other Corporate Budgets	(6,396)	(7,280)
Total Income Analysed on a Segmental Basis	**(29,239)**	**(29,562)**

* The 2017/2018 comparator figures have been reanalysed to reflect a management restructure within the council during the 2018/2019 financial year.

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

Note 8 – Expenditure and Income Analysed by Nature

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

Expenditure / Income	2018/2019 £000	2017/2018 £000
Expenditure:		
Employee Benefits Expenses	72,555	73,312
Other Services Expenditure	182,175	184,585
Depreciation, Amortisation, Impairment	9,055	10,954
Interest Payments	4,409	4,182
Precepts and Levies	1,403	1,354
Gain or loss on the Disposal of Assets	5,184	2,681
Other Expenditure	5,000	8,595
Total Expenditure	**279,781**	**285,663**
Income:		
Fees, Charges and Other Service Income	(20,039)	(20,757)
Interest and Investment Income	(144)	(122)
Income for Council Tax & Non-Domestic Rates	(107,360)	(99,974)
Government Grants and Contributions	(140,045)	(141,974)
Other Income	(2,866)	(4,135)
Total Income	**(270,454)**	**(266,962)**
(Surplus) or Deficit on the Provision of Services	**9,327**	**18,701**

This note has been restated to adjust for the prior period adjustment explained in Note 45.

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

Usable Reserves				
2018/2019 Financial Year	**General Fund Balance** £000	**Capital Receipts Reserve** £000	**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)	12,641			(12,641)
Pension Prepayment Adjustment	(4,667)			4,667
Council tax and NDR (transfers to or from the Collection Fund)	2,693			(2,693)
Holiday pay (transferred to the Accumulated Absences reserve)	(69)			69
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)	5,933			(5,933)
Total Adjustments to Revenue Resources	**16,531**	**0**	**0**	**(16,531)**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,594)	1,594		
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	2	(2)		
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(3,568)			3,568
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(30)			30
Total Adjustments to Revenue Resources	**(5,190)**	**1,592**	**0**	**3,598**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		(1,947)		1,947
Application of capital grants to finance capital expenditure	(269)		(154)	423
Cash payments in relation to deferred capital receipts		367		(367)
Total Adjustments to Capital Resources	**(269)**	**(1,580)**	**(154)**	**2,003**
Total Adjustments	**11,072**	**12**	**(154)**	**(10,930)**

This note has been restated to adjust for the prior period adjustment explained in Note 45.

Usable Reserves				
2017/2018 Financial Year	General Fund Balance £000	Capital Receipts Reserve £000	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)	13,065			(13,065)
Total Adjustments to Revenue Resources	**18,791**	**0**	**0**	**(18,791)**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(3,809)	3,809		
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	**(8,906)**	**3,770**	**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
Cash payments in relation to deferred capital receipts		211		211
Total Adjustments to Capital Resources	**(381)**	**(3,764)**	**260**	**4,096**
Total Adjustments	**9,504**	**6**	**260**	**(9,770)**

This note has been restated to adjust for the prior period adjustment explained in Note 45.

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 2018/2019.

	Balance as at 1 April 2017	Transfers In 2017/2018	Transfers Out 2017/2018	Balance as at 31 March 2018	Transfers In 2018/2019	Transfers Out 2018/2019	Balance as at 31 March 2019
	£000	£000	£000	£000	£000	£000	£000
Individual Schools Budget Reserve	5,168	2,358	(5,168)	2,358	2,169	(2,358)	2,169
Self-Insurance	3,905	0	0	3,905	0	0	3,905
Business Rates Reserve	3,898	0	(563)	3,335	232	(348)	3,219
Management of Change	3,076	1,200	(2,381)	1,895	2,516	(1,900)	2,511
Debt Financing Reserve	2,843	860	(1,536)	2,167	1,751	(130)	3,788
Transformation Programme	2,250	0	(729)	1,521	500	(979)	1,042
Adult Social Care Transition Funding	2,246	370	(303)	2,313	745	(1,523)	1,535
NEL Clinical Commissioning Group Priorities	2,060	258	(2,307)	11	697	(510)	198
IFRS Revenue Grant	1,441	1,721	(783)	2,379	2,053	(1,578)	2,854
Medium Term Financial Plan	531	0	0	531	0	(211)	320
Past Service Pension Reserve	494	0	(494)	0	0	0	0
Health & Wellbeing Board Public Health Priorities	349	0	(39)	310	0	(51)	259
Council Tax Hardship Fund	0	0	0	0	633	0	633
Strategic Change Reserve	0	0	0	0	500	(49)	451
Service Specific Reserves:							
Resources & Governance	1,347	119	(1,069)	397	482	(146)	733
Economy & Growth	3,194	161	(1,544)	1,811	21	(358)	1,474
Communities	86	5	(46)	45	0	(10)	35
Children & Family Services	273	155	(193)	235	312	(116)	431
Public Health & Wellbeing	1,168	334	(224)	1,278	476	(418)	1,336
Adult Services	2,796	1,168	(527)	3,437	610	(1,267)	2,780
Total Earmarked Reserves	**37,125**	**8,709**	**(17,906)**	**27,928**	**13,697**	**(11,952)**	**29,673**

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 2018/2019.

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
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. This reserve no longer exists in 2018/19.

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

Council Tax Hardship Fund
Reserve to specifically support council tax payers who fall within the scope of the Council Tax Support Scheme.

Strategic Change Reserve
Reserve to support ongoing regeneration activity in the borough.

Note 11 – Other Operating Expenditure

	2018/2019 £000	2017/2018 £000
Parish Council Precepts	773	757
Levies	630	597
(Gains)/Losses on Disposal of Non-Current Assets	4,953	3,137
Total	**6,356**	**4,491**

Note 12 – Financing and Investment Income and Expenditure

	2018/2019 £000	2017/2018 £000
Interest payable and similar charges	4,409	4,182
Net interest on the net defined benefit liability (asset)	4,842	5,052
Interest receivable and similar income	(144)	(122)
Income and expenditure in relation to investment properties and changes in their fair value	(2,745)	(929)
Total	**6,362**	**8,183**

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

	2018/2019 £000	2017/2018 £000
Council Tax Income	(65,744)	(60,781)
Non Domestic Rates Income and Expenditure	(41,616)	(39,193)
Non-Ring-fenced Government Grants	(20,832)	(24,302)
Capital Grants and Contributions	(12,302)	(9,180)
Total	**(140,494)**	**(133,456)**

Note 14 – Property, Plant and Equipment

2018/2019 Financial Year:

	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	PP&E Under Construction	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
Balance as at 1 April 2018	88,611	14,421	133,732	20,313	4,257	7,607	**268,941**
Additions	2,538	1,233	7,238	36	5,446	72	**16,563**
Donations	1,010	0	0	0	0	0	**1,010**
Revaluation increases/decreases to Revaluation Reserve	(2,638)	0	0	0	0	1,217	**(1,421)**
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(1,656)	0	0	0	0	(33)	**(1,689)**
De-recognition - Disposals	(1,458)	(1,363)	(159)	0	(6,182)	(855)	**(10,017)**
De-recognition - Other	(53)	0	0	0	0	(37)	**(90)**
Reclassifications & Transfers	404	0	0	(1)	0	(404)	**(1)**
Reclassified to/from Held for Sale	0	0	0	0	0	0	**0**
Other movements	0	0	0	0	0	0	**0**
Balance as at 31 March 2019	**86,758**	**14,291**	**140,811**	**20,348**	**3,521**	**7,567**	**273,296**
Depreciation and Impairment							
Balance as at 1 April 2018	(13,148)	(8,625)	(34,351)	(7,348)	(1,117)	(539)	**(65,128)**
Depreciation Charge	(5,341)	(2,001)	(3,457)	0	0	(18)	**(10,817)**
Depreciation written out on Revaluation Reserve	2,522	0	0	0	0	9	**2,531**
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	649	0	0	0	0	2	**651**
Impairment losses/reversals to Revaluation Reserve	1,781	0	0	0	0	90	**1,871**
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	2,311	0	0	0	0	2	**2,313**
De-recognition - Disposals	1,070	1,295	159	1	1,117	0	**3,642**
De-recognition - Other	21	0	0	0	0	35	**56**
Reclassifications & Transfers	(348)	0	0	0	0	348	**0**
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0	**0**
Balance as at 31 March 2019	**(10,483)**	**(9,331)**	**(37,649)**	**(7,347)**	**0**	**(71)**	**(64,881)**
Net Book Value							
Balance as at 31 March 2019	**76,275**	**4,960**	**103,162**	**13,001**	**3,521**	**7,496**	**208,415**
Balance as at 31 March 2018	75,463	5,796	99,381	12,965	3,140	7,068	203,813

This note has been restated to adjust for the prior period adjustment explained in Note 45.

2017/2018 Financial Year:

	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	PP&E Under Construction £000	Surplus Assets £000	Total £000
Cost or Valuation							
Balance as at 1 April 2017	105,003	13,980	127,056	12,766	3,564	2,813	265,182
Additions	1,567	1,386	6,681	81	2,216	28	**11,959**
Donations	0	0	0	0	0	0	**0**
Revaluation increases/decreases to Revaluation Reserve	195	0	0	0	0	674	**869**
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(2,105)	0	0	0	0	(756)	**(2,861)**
De-recognition - Disposals	(4,082)	(2,398)	(5)	0	0	0	**(6,485)**
De-recognition - Other	0	0	0	0	0	0	**0**
Reclassifications & Transfers	(11,967)	1,453	0	7,466	(1,523)	4,433	**(138)**
Reclassified to/from Held for Sale	0	0	0	0	0	415	**415**
Other movements	0	0	0	0	0	0	**0**
Balance as at 31 March 2018	**88,611**	**14,421**	**133,732**	**20,313**	**4,257**	**7,607**	**268,941**
Depreciation and Impairment							
Balance as at 1 April 2017	(18,949)	(9,094)	(30,984)	(44)	(1,117)	(185)	(60,373)
Depreciation Charge	(5,237)	(1,786)	(3,369)	0	0	(19)	**(10,411)**
Depreciation written out on Revaluation Reserve	1,161	0	0	0	0	258	**1,419**
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	527	0	0	0	0	11	**538**
Impairment losses/reversals to Revaluation Reserve	339	0	0	0	0	(7)	**332**
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	793	0	0	(2)	0	41	**832**
De-recognition - Disposals	297	2,255	2	0	0	0	**2,554**
De-recognition - Other	0	0	0	0	0	0	**0**
Reclassifications & Transfers	7,921	0	0	(7,302)	0	(638)	**(19)**
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0	**0**
Balance as at 31 March 2018	**(13,148)**	**(8,625)**	**(34,351)**	**(7,348)**	**(1,117)**	**(539)**	**(65,128)**
Net Book Value							
Balance as at 31 March 2018	**75,463**	**5,796**	**99,381**	**12,965**	**3,140**	**7,068**	**203,813**
Balance as at 31 March 2017	86,054	4,886	96,072	12,722	2,447	2,628	204,809

This note has been restated to adjust for the prior period adjustment explained in Note 45.

Capital Commitments

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

- SHIIP - Humber Link Road – £6.0m.
- SHIIP - Stallingborough Electrical Works - £1.1m.
- Cleethorpes Public Realm Project – £2.5m.

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. 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.

Valuation of PPE	Land and Buildings	Vehicles, Plant & Equipment	Surplus Assets	Other PPE	Total PPE
	£000	£000	£000	£000	£000
Carried at historical cost	0	4,960	0	119,684	124,644
Valued at fair value as at:					
31/03/2019	38,950	0	1,573	0	40,523
31/03/2018	29,185	0	5,787	0	34,972
31/03/2017	3,892	0	135	0	4,027
31/03/2016	4,248	0	1	0	4,249
31/03/2015	0	0	0	0	0
Total Cost or Valuation	**76,275**	**4,960**	**7,496**	**119,684**	**208,415**

Fair Value Measurement for Surplus Assets and Investment Properties

See Note 1 Accounting Policies (section xxiii. Fair Value Measurement) 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:	2018/2019		2017/2018	
	Significant unobservable inputs (Level 3)	Fair value as at 31st March 2019	Significant unobservable inputs (Level 3)	Fair value as at 31st March 2018
	£000	£000	£000	£000
Surplus Assets:				
All Surplus Assets	7,496	7,496	7,068	7,068
Total Surplus Assets	**7,496**	**7,496**	**7,068**	**7,068**
Investment Properties:				
Agricultural Properties	1,033	1,033	0	0
Office Units	5,391	5,391	4,766	4,766
Commercial Units	44,952	44,952	46,480	46,480
Total Investment Properties	**51,376**	**51,376**	**51,246**	**51,246**

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 Valuation terms of Engagement and 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. They remain the same other than on the investment properties, previously minor premiums had been added to the valuations of investment property, for example in respect of removal of a forfeiture clause or such. However this year the premiums were not included as it was considered that on the general market a premium would not be paid as it is more akin to a special purchaser. This method is also more in line with our assumptions within the valuation report. This has not had a material change on the valuations.

Reconciliation of Fair Value Measurements

Assets categorised within Level 3	Surplus Assets 31st March 2019 £000	Investment Properties 31st March 2019 £000	Surplus Assets 31st March 2018 £000	Investment Properties 31st March 2018 £000
Opening Balance	7,068	51,246	2,628	53,019
Reclassifications in at Level 3	0	0	0	0
Reclassifications out at Level 3	(56)	0	0	0
Transfers into Level 3	0	0	4,210	3,913
Transfers out of Level 3	0	0	0	(3,792)
Total gains/losses for the period included in the Surplus or Deficit on the Provision of Services resulting from changes in fair value	1,269	369	202	(1,579)
Additions	72	128	28	1,903
Disposals	(857)	(367)	0	(2,218)
Closing Balance	**7,496**	**51,376**	**7,068**	**51,246**

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 2019 £000	Valuation technique used to measure fair value	Unobservable inputs	Sensitivity
Surplus Assets				
Land	7,116	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	380	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	44,952	Market Comparison/Investment Method	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
Office Units	5,391	Market Comparison/Investment Method	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
Agricultural Units	1,033	Market Comparison	Rent Growth Vacancy Levels Yields	Significant changes in sales comparables and certain tenancies affecting when vacant possession can be achieved will significantly lower or higher fair value

Note 15 – Heritage Assets

	2018/2019				2017/2018		
	Civic Regalia £000	Museum Collection £000	Other Heritage Assets £000	Total Heritage Assets £000	Civic Regalia £000	Museum Collection £000	Total Heritage Assets £000
Cost or Valuation							
Balance as at 1 April	426	1,426	0	1,852	174	817	991
Additions	0	0	82	82	0	0	0
Movements – Revaluations	0	0	0	0	252	609	861
Reclassifications	0	0	1	1	0	0	0
Balance as at 31 March	**426**	**1,426**	**83**	**1,935**	**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:

	2018/2019 £000	2017/2018 £000
Rental income from investment property	(4,237)	(2,833)
Direct operating expenses arising from investment property	1,630	781
Net Gain/Loss	**(2,607)**	**(2,052)**

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:

	2018/2019 £000	2017/2018 £000
Balance at start of the year	51,246	53,019
Additions	128	1,903
Disposals	(45)	(2,218)
De-recognitions	(322)	0
Net gains/losses from fair value adjustments	369	(1,579)
Transfers:		
- to/from Property, Plant and Equipment	0	121
Balance at end of the year	**51,376**	**51,246**

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 £551k charged to revenue in 2018/2019 was charged to the following lines in the Cost of Services – £481k Resources & Governance and £70k Children and Family Services.

	2018/2019 £000	2017/2018 £000
Balance at start of the year	4,637	3,434
Accumulated Amortisation	(3,221)	(1,846)
Net carrying amount at start of year	**1,416**	**1,588**
Additions	933	1,167
Reclassifications	0	36
Disposals	(2,847)	0
Amortisation for the period	(551)	(1,375)
Amortisation written off on disposal	2,847	0
Net carrying amount at the end of the year	**1,798**	**1,416**
Comprising:		
- Gross carrying amount	2,723	4,637
- Accumulated amortisation	(925)	(3,221)
	1,798	**1,416**

Note 18 – Financial Instruments

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

	Long-term		Current	
	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000
Financial Assets				
Loans and receivables at amortised cost	2,524	2,631	0	0
Debtors carried at amortised cost	0	0	29,322	21,853
Total Financial Assets	**2,524**	**2,631**	**29,322**	**21,853**
Financial Liabilities				
Borrowings at amortised cost	109,123	109,179	19,116	18,994
Creditors carried at contract amount	0	0	27,333	27,891
Total Financial Liabilities	**109,123**	**109,179**	**46,449**	**46,885**

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

	2018/2019	2017/2018
	Financial Liabilities Measured at Amortised Cost £000	**Financial Liabilities Measured at Amortised Cost** £000
Interest expense	4,305	4,121
Total Expense in Surplus or Deficit on the Provision of Services	**4,305**	**4,121**

Information as to the council's treatment of financial assets and liabilities within the accounts, including the basis of fair value measurements, is included within Note 1 Accounting Policies (section ix. Financial Instruments).

There has been no impact on the measurement of financial assets following the implementation of International Financial Reporting Standard 9.

The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value but for which Fair Value Disclosures are required

Except for financial assets carried at fair value, all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB payable, PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures.
- For non-PWLB loans payable, as market lenders to the sector compete with PWLB their rates have to be comparable, therefore PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures.
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.
- The fair value of trade and other receivables is taken to be the invoiced 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 2019			31 March 2018	
		Carrying Amount	Fair Value	Effect of 1% rise in interest rates	Carrying Amount	Fair Value
		£000	£000	£000	£000	£000
PWLB Debt	2	76,409	112,481	(1,126)	73,858	107,030
Non PWLB Debt	2	41,675	90,550	(1,181)	41,660	89,360
Temporary Borrowing	2	10,155	10,179	(6)	12,655	13,053
Total Debt		**128,239**	**213,210**	**(2,313)**	**128,173**	**209,443**

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 2019) arising from the commitment to pay interest to lenders above current market rates.

Note 19 – 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 and time limits 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 22 February 2018. 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.

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 2019 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 2019 £000	**31 March 2018** £000
Less than one year	16,757	18,994
Between one and two years	3,345	7,877
Between two and five years	2,481	2,160
Between five and ten years	7,768	5,723
Between 10 and 20 years	11,274	10,090
Over 20 years	65,614	62,329
Uncertain Date*	21,000	21,000
Total	**128,239**	**128,173**

* 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.

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 Fair Value through profit and loss or Fair Value through Comprehensive Income.

Note 20 – 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	
	2018/2019	2017/2018	2018/2019	2017/2018
	£000	£000	£000	£000
Central Government Bodies	0	0	7,589	4,063
Other Local Authorities	0	0	1,317	1,225
NHS Bodies	0	0	91	15
Other Entities and Individuals	0	0	31,082	27,254
Impairment Allowances	0	0	(10,757)	(10,704)
Loans and Advances	2,524	2,631	0	0
Total	**2,524**	**2,631**	**29,322**	**21,853**

The past due, but not impaired, amount for local taxation (council tax and non-domestic rates) is analysed as follows:

	2018/2019	2017/2018
	£000	£000
1 year	4,184	3,745
1 – 2 years	1,875	1,744
2 – 3 years	1,303	1,081
3 – 4 years	922	674
Over 4 years	1,940	1,132
Total	**10,224**	**8,376**

The above analysis only shows those balances where assessment has indicated that, by exception, no impairment is required.

Note 21 – 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 cash flow statement can be reconciled to the related items in the Balance Sheet as follows:

	2018/2019 £000	2017/2018 £000
Cash and Bank Balances	3,872	(595)
Short Term Investments	12,800	18,000
Total - Current Asset	**16,672**	**17,405**

Note 22 – Assets Held for Sale

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

	2018/2019 £000	2017/2018 £000
Balance outstanding at start of year	**0**	**717**
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	0
Impairment losses	0	0
Assets declassified as held for sale:		
- Property Plant and Equipment	0	(415)
Assets sold	0	(302)
Balance outstanding at year-end	**0**	**0**

Note 23 – Creditors

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

	2018/2019 £000	2017/2018 £000
Central Government Bodies	9,632	11,977
Other Local Authorities	579	530
NHS Bodies	2,388	1,055
Other Entities and Individuals	14,734	14,329
Total Short Term Creditors	**27,333**	**27,891**

Note 24 – Provisions

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

Provision	Balance as at 1 April 2018	Increase / (Decrease) in provision during year	Utilised during year	Balance as at 31 March 2019	Estimated to be Settled:	
					Within One Year	Beyond One Year
	£000	£000	£000	£000	£000	£000
NNDR Appeals	5,566	1,857	(1,588)	5,835	1,313	4,522
Self-Insurance	857	1,032	(1,179)	710	142	568
Total	**6,423**	**2,889**	**(2,767)**	**6,545**	**1,455**	**5,090**

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.

Note 25 – Unusable Reserves

Unusable Reserves

`	**2018/2019** £000	**2017/2018** £000
Capital Adjustment Account	62,376	59,466
Revaluation Reserve	43,663	43,924
Pensions Reserve	(223,365)	(184,908)
Collection Fund Adjustment Account	993	3,686
Accumulated Absences Account	(1,262)	(1,331)
Total Unusable Reserves	**(117,595)**	**(79,163)**

This note has been restated to adjust for the prior period adjustment explained in Note 45.

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.

	2018/2019		2017/2018	
	£000	£000	£000	£000
Balance at 1 April		**59,466**		**59,827**
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	(8,504)		(9,579)	
Revaluation losses on Property, Plant and Equipment	(1,038)		(2,323)	
Amortisation of Intangible Assets	(551)		(1,375)	
Revenue expenditure funded from capital under statute	(4,332)		(4,692)	
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	(6,776)		(6,451)	
		(21,201)		**(24,420)**
Adjusting amounts written out of the Revaluation Reserve		2,875		3,472
Net written out amount of the cost of non-current assets consumed in the year		**(18,326)**		**(20,948)**
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	1,947		3,975	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	13,889		12,934	
Application of grants to capital financing from the Capital Grants Unapplied Account	423		121	
Statutory provision for the financing of capital investment charged against the General Fund	3,568		4,917	
Capital expenditure charged against the General Fund	30		219	
		19,857		**22,166**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		369		(1,579)
Donated Asset credited to the Comprehensive Income and Expenditure Statement		1,010		0
Balance at 31 March		**62,376**		**59,466**

This note has been restated to adjust for the prior period adjustment explained in Note 45.

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.

	2018/2019 £000	2017/2018 £000
Balance at 1 April	**43,924**	**44,126**
Net revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	2,981	3,481
Difference between fair value depreciation and historical cost depreciation	(2,648)	(2,351)
Revaluation balances on assets scrapped or disposed of	(594)	(1,332)
Amount written off to the Capital Adjustment Account	**(3,382)**	**(3,683)**
Balance at 31 March	**43,663**	**43,924**

This note has been restated to adjust for the prior period adjustment explained in Note 45.

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 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.

	2018/2019 £000	**2017/2018** £000
Balance at 1 April	**(184,908)**	**(190,817)**
Re-measurements of the net defined benefit liability/(asset)	(30,483)	14,067
Pension Prepayment Adjustment	4,667	(9,335)
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	(18,511)	(18,988)
Employer's pensions contributions and direct payments to pensioners payable in the year	5,870	20,165
Balance at 31 March	**(223,365)**	**(184,908)**

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.

	2018/2019 £000	**2017/2018** £000
Balance at 1 April	**3,686**	**1,348**
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	(2,693)	2,338
Balance at 31 March	**993**	**3,686**

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.

	2018/2019 £000	**2017/2018** £000
Balance at 1 April	**(1,331)**	**(1,425)**
Settlement or cancellation of accrual made at the end of the preceding year	1,331	1,425
Amounts accrued at the end of the current year	(1,262)	(1,331)
Balance at 31 March	**(1,262)**	**(1,331)**

Note 26 – Cashflow from Operating Activities

The cash flows from operating activities include the following items:

	2018/2019 £000	2017/2018 £000
Interest Paid	(4,382)	(4,073)
Interest Received	144	122
Total	**(4,238)**	**(3,951)**

	2018/2019 £000	2017/2018 £000
Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements:		
Depreciation	8,504	11,474
Impairment & Downward Valuations	1,038	2,323
Amortisation	551	1,375
(Increase)/Decrease in Debtors	(7,606)	(651)
Increase/(Decrease) in Creditors	4,020	(502)
(Increase)/Decrease in Inventories	16	156
Movement in Pension Liability	12,641	(1,177)
Carrying Amount of Non-Current Assets, and Non-Current Assets Held for Sale, Sold or De-recognised	6,776	6,451
Other Items Charged to the Net Surplus or Deficit on Provision of Services	(1,257)	(2,214)
Total	**24,683**	**17,235**
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	(1,592)	(3,770)
Any other Items for which the Cash Effects are Investing or Financing Cash Flows	(14,525)	(8,414)
Total	**(16,117)**	**(12,184)**

This note has been restated to adjust for the prior period adjustment explained in Note 45.

Note 27 – Cashflow from Investing Activities

	2018/2019 £000	2017/2018 £000
Purchase of PP&E, investment property and intangible assets	(17,914)	(15,701)
Purchase of Short Term & Long Term Investments	0	0
Other Payments for Investing Activities	(300)	(175)
Proceeds from the sale of PP&E, investment property and intangible assets	1,592	3,770
Proceeds from Short Term Investments (not considered to be cash equivalents)	0	0
Other Receipts from Investing Activities	21,549	13,247
Net Cash flows from Investing Activities	**4,927**	**1,141**

Note 28 – Cashflow from Financing Activities

	2018/2019 £000	2017/2018 £000
Cash Receipts of Short Term and Long Term Borrowing	20,010	46,525
Other Receipts from Financing Activities	0	0
Repayment of Short Term and Long Term Borrowing	(19,971)	(26,034)
Other payments for Financing Activities	(4,938)	2,550
Net Cash flows from Financing Activities	**(4,899)**	**23,041**

Reconciliation of Liabilities arising from Financing Activities:

		Cash Changes	Non-Cash Changes		
	Balance as at 1 April 2018 £000	Financing Cash Flows £000	Movement from Long-Term to Short-Term £000	Interest Accruals £000	Balance as at 31 March 2019 £000
Long-term Borrowings	109,179	2,539	(2,595)	0	109,123
Short-term Borrowings	18,994	(2,500)	2,595	27	19,116
Total Liabilities from Financing Activities	**128,173**	**39**	**0**	**27**	**128,239**

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. The 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 and NELCCG 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 performance metrics are:

- Non elective admissions,
- Residential admissions,
- Reablement, and
- Delayed transfers of care.

Funding of services to support these performance metrics include Intermediate Tier Services (these are concerned with reablement – most often as '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 pooled income and expenditure are as follows:

	2018/2019 £000	**2017/2018** £000
Funding provided to the pooled budget:		
North East Lincolnshire CCG North East Lincolnshire Council	(11,573) (9,363)	(11,357) (6,755)
	(20,936)	**(18,112)**
Expenditure met from the pooled budget:		
North East Lincolnshire CCG North East Lincolnshire Council	11,573 8,308	11,357 5,849
	19,881	**17,206**
Net surplus arising on the pooled budget during the year	**(1,055)**	**(906)**

Note 30 – Members' Allowances

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

	2018/2019 £000	**2017/2018** £000
Allowances	496	483
Expenses	1	5
Total	**497**	**488**

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	Expense Allowance	Compensation for Loss of Office	Pension Contribution	Total
		£	£	£	£	£	£
Chief Executive – R Walsh	2018/19	165.000	0	0	0	24,750	**189,750**
	2017/18	155,000	0	0	0	23,250	**178,250**
Chief Operating Officer (Deputy Chief Executive until 31/12/2018)	2018/19	123,699	0	0	0	18,555	**142,254**
	2017/18	120,000	0	90	0	18,000	**138,090**
Director – Children & Family Services (with effect from 2018/19)	2018/19	99,960	0	106	0	14,130	**114,196**
	2017/18	0	0	0	0	0	**0**
Director - Health & Wellbeing (Director of Public Health)	2018/19	94,583	3,955	30	0	14,170	**112,738**
	2017/18	92,728	3,954	17	0	13,903	**110,602**
Director – Resources & Governance (Director - Finance Operations & Resources until 31/12/2018)	2018/19	95,518	0	0	0	14,328	**109,846**
	2017/18	93,645	0	0	0	14,047	**107,692**
Director - Economy & Growth	2018/19	77,060	0	0	0	11,518	**88,578**
	2017/18	92,728	0	0	0	13,909	**106,637**
Director - Adult Services	2018/19	87,071	0	23	0	13,061	**100,155**
	2017/18	85,363	0	0	0	12,804	**98,167**
Director - Children's Social Care (post redundant with effect from 31/03/2018)	2018/19	0	0	0	0	0	**0**
	2017/18	85,363	0	7	108,000	12,804	**206,174**
Director – Communities (Director - Governance, Democracy & Community Engagement until 31/12/2018)	2018/19	87,071	0	20	0	13,061	**100,152**
	2017/18	85,363	0	6	0	12,804	**98,173**
Director – Prevention & Early Health (vacant during 2018/19)	2018/19	0	0	0	0	0	**0**
	2017/18	88,522	0	20	0	13,278	**101,820**
Chief Legal Officer (Monitoring Officer)	2018/19	75,000	0	23	0	11,250	**86,273**
	2017/18	61,341	0	43	0	9,201	**70,585**
Assistant Director – Communications (with effect from 24/09/2018)	2018/19	36,361	0	19	0	5,454	**41,834**
	2017/18	0	0	0	0	0	**0**

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 from the CCG in relation to this arrangement.

The post of Director of Children & Family Services was created in 2018/19 and the post of Director of Children's Social Care was deleted.

Additionally, from September 2018, the post of Assistant Director – Communications reports directly to the Chief Executive.

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	2018/2019 Total	2017/2018 Total
£50,001 to £55,000	21	27
£55,001 to £60,000	14	10
£60,001 to £65,000	5	11
£65,001 to £70,000	4	6
£70,001 to£ 75,000	3	2
£75,001 to £80,000	3	2
£80,001 to £85,000	2	2
£85,001 to £90,000	1	0
£90,001 to £95,000	0	1
£95,001 to £100,000	0	0
£100,001 to £105,000	0	0
£105,001 to £110,000	0	1
Total	**53**	**62**

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	
	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019 £000	2017/2018 £000
£0 - £20,000	6	7	11	49	17	56	130	428
£20,001 - £40,000	1	1	6	10	7	11	195	267
£40,001 - £60,000	0	1	0	8	0	9	0	440
£60,001 - £150,000	0	2	0	3	0	5	0	473
Total cost included in CIES							**325**	**1,608**

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. Mazars became the council's external auditors with effect from 2018/2019, when KPMG's contract ceased.

Current Year Auditors - Mazars	2018/2019 £000
Fees payable to Mazars with regard to external audit services carried out by the appointed auditor for the year	92
Fees payable to Mazars for the certification of grant claims and returns for the year	7
Fees payable in respect of other services provided by Mazars during the year	0
Total Fees Payable	**99**

Prior Year Auditors - KPMG	2017/2018 £000
Fees payable to KPMG with regard to external audit services carried out by the appointed auditor for the year	121
Fees payable to KPMG for the certification of grant claims and returns for the year	17
Fees payable in respect of other services provided by KPMG during the year	0
Total Fees Payable	**138**

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 2018. 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 2018/2019 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2018/2019 before Academies recoupment			130,390
Academy figure recouped for 2018/2019			(98,860)
Total DSG after academy recoupment for 2018/2019	**14,630**	**16,900**	**31,530**
Plus: Brought forward from 2017/2018	1,190	0	1,190
Agreed initial budgeted distribution in 2018/2019	**15,820**	**16,900**	**32,720**
In year adjustments	150	0	150
Final budget distribution for 2018/2019	**15,970**	**16,900**	**32,870**
Less: Actual central expenditure	(15,080)		(15,080)
Less: Actual ISB deployed to schools		(16,840)	(16,840)
Carry forward to 2019/2020	**890**	**60**	**950**

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	2018/2019 £000	2017/2018 £000
Council Tax Income	(65,744)	(60,781)
Non Domestic Rates Income and Expenditure	(41,616)	(39,193)
Revenue Support Grant	(13,396)	(17,756)
Other non-ring-fenced grants	(7,436)	(6,546)
Capital Grants	(12,302)	(9,180)
Total	**(140,494)**	**(133,456)**

Credited to Services	2018/2019 £000	2017/2018 £000
Rent Allowances	(44,263)	(51,296)
Dedicated Schools Grant	(31,208)	(28,713)
Other Grants	(31,440)	(28,483)
Total	**(106,911)**	**(108,492)**

The council received a grant of £350k 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	2018/2019 £000	2017/2018 £000
Capital Grants	(9,843)	(3,958)
Revenue Grants	(3,077)	(805)
Total	**(12,920)**	**(4,763)**

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). Grant receipts are shown in Note 34.

Members and Officers

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid during the year is shown in Note 30, and the Register of Members' Interests is available to be viewed on the council's website.

Officers that might be in a position to influence significantly the policies of the council are considered to be members of the Senior Leadership Team. All Senior Officers have been required to complete a related party declaration identifying organisations with which they have influence/or control, and which may have a related party interest with the council.

Related Party Interests	In-Year Expenditure	In-Year Income	Year-end Creditor	Year-end Debtor	Number of Parties Declaring an Interest	
	£000	£000	£000	£000	Members	Officers
Works and Services commissioned from Companies	176	(8)	0	0	6	1
Grants to Voluntary Organisations	512	(8)	40	(1)	9	0
Grant contributions to Charities	4,114	(129)	9	(165)	16	0
Grant contributions to Not for Profit Organisations	786	(18)	1	(27)	10	0

In all instances, the grants were made with proper consideration of declarations of interest. The relevant members or officers did not take part in any discussion or decision relating to the payments.

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	2018/2019 £000	2017/2018 £000
Opening Capital Financing Requirement	**157,386**	**159,691**
Capital Investment		
Property, Plant and Equipment	17,573	11,959
Investment Properties	128	1,903
Intangible Assets	933	1,167
Other	82	0
Revenue Expenditure Funded from Capital under Statute	4,332	4,692
Capital Loans	0	140
	23,048	**19,861**
Sources of finance		
Capital receipts	(1,947)	(3,975)
Government grants and other contributions	(15,322)	(13,055)
Other Contributions	0	0
Sums set aside from revenue		
Direct revenue contributions	(30)	(219)
Minimum/Voluntary Revenue Provision	(3,568)	(4,917)
	(20,867)	**(22,166)**
Closing Capital Finance Requirement	**159,567**	**157,386**
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	2,181	(2,305)
Increase/(decrease) in Capital Financing Requirement	**2,181**	**(2,305)**

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 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:	2018/2019 £000	2017/2018 £000
No later than 1 year	263	301
Later than 1 year and no later than 5 years	1,025	431
Later than 5 years	1,784	684
Total	**3,072**	**1,416**

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

	2018/2019 £000	2017/2018 £000
Minimum lease payments	291	279
Less: Sublease payments receivable	0	(133)
Total	**291**	**146**

Council as Lessor

Operating Leases

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

Minimum lease rentals receivable:	2018/2019 £000	2017/2018 £000
No later than 1 year	(2,325)	(2,089)
Later than 1 year and no later than 5 years	(8,785)	(7,669)
Later than 5 years	(106,516)	(100,500)
Total	**(117,626)**	**(110,258)**

Note 38 – 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 2018/2019, the council paid £0.746m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay. The figures for 2017/2018 were £0.738m 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 £0.958m.

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 39.

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 retain 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 2018/2019, the council paid £0.315m to the NHS Pension Scheme in respect of the retirement benefits of public health staff, representing 14.38% of pensionable pay. In 2017/2018, the council paid £0.337m to the NHS Pension Scheme, representing 14.38% 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 £0.311m.

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

Note 39 – 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 in Reserves Statement.

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

	Local Government Pension Scheme		Discretionary Benefits	
	2018/2019	2017/2018	2018/2019	2017/2018
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Cost of services:				
Service cost comprising:				
Current service cost	13,606	13,724	0	0
Past service cost	63	673	0	0
(Gain)/loss from settlements	0	(461)	0	0
Financing and Investment Income and Expenditure:				
Net Interest expense	4,842	5,052	0	0
Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services	**18,511**	**18,988**	**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)	(19,361)	(2,564)	0	0
Actuarial gains and losses arising on changes in demographic assumptions	0	0	0	0
Actuarial gains and losses arising on changes in financial assumptions	48,883	(12,134)	918	621
Other	43	10	0	0
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	**48,076**	**4,300**	**918**	**621**
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	**(18,511)**	**(18,988)**	**0**	**0**
Actual amount charged against the general fund balance for pensions in the year:				
Employers' contributions payable to scheme	**3,816**	**18,100**		
Retirement benefits payable to pensioners			**2,054**	**2,065**

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	
	2018/2019	2017/2018	2018/2019	2017/2018
	£000	£000	£000	£000
Present value of the defined obligation	(688,536)	(624,735)	(24,447)	(25,583)
Fair value of plan assets	494,286	474,745	0	0
Net liability arising from the defined benefit obligation	**(194,250)**	**(149,990)**	**(24,447)**	**(25,583)**
Total Liability	**(218,697)**	**(175,573)**		

Reconciliation of movements in the fair value of scheme assets:

	Local Government Pension Scheme		Discretionary Benefits	
	2018/2019	2017/2018	2018/2019	2017/2018
	£000	£000	£000	£000
Opening fair value of scheme assets	474,745	458,350	0	0
Interest income	12,642	11,752	0	0
Re-measurement gain / (loss):				
The return on plan assets, excluding the amount included in the net interest expense	19,361	2,564	0	0
The effect of changes in foreign exchange rates	0	0	0	0
Contributions from employer	3,816	18,100	2,054	2,065
Contributions from employees into the scheme	2,293	2,330	0	0
Benefits/transfers paid	(18,571)	(18,066)	(2,054)	(2,065)
Other (if applicable)	0	(285)	0	0
Closing value of scheme assets	**494,286**	**474,745**	**0**	**0**

Reconciliation of present value of the scheme liabilities:

	Local Government Pension Scheme		Discretionary Benefits	
	2018/2019	2017/2018	2018/2019	2017/2018
	£000	£000	£000	£000
Opening balance at 1 April	(624,735)	(622,140)	(25,583)	(27,027)
Current service cost	(13,606)	(13,724)	0	0
Interest cost	(17,484)	(16,804)	0	0
Contributions from scheme participants	(2,293)	(2,330)	0	0
Re-measurement (gains) and losses:				
Actuarial (gains)/losses from changes in demographic assumptions	0	0	0	0
Actuarial (gains)/losses from changes in financial assumptions	(48,883)	12,134	(918)	(621)
Other (if applicable)	(43)	(10)		0
Past service cost	(63)	(673)	0	0
Losses/(gains) on curtailments where relevant	0	0	0	0
Benefits/transfers paid	18,571	18,066	2,054	2,065
Liabilities extinguished on settlements (where relevant)	0	746	0	0
Balance as at 31 March	**(688,536)**	**(624,735)**	**(24,447)**	**(25,583)**

Impact of McCloud Judgement

The McCloud judgement relates to a legal challenge by members of the New Judicial Pension Scheme against the age-based transitional provisions put into place when new pension arrangements were introduced in 2015. The members argued that these transitional provisions were directly discriminatory on the grounds of age and indirectly discriminatory on the grounds of sex and race, based on the correlation between these two factors reflected in the judicial membership. A Tribunal ruled against the Government in July, deeming that the transitional provisions were not a proportionate means of achieving a legitimate aim.

As this result was announced late in the process, the Actuary did not make any allowance for potential outcomes of this judgement in its estimation of the net liability to pay pensions reflected in these accounts at 31 March 2019. The effect has been calculated by the Actuary and is estimated to be £677k. This increase in liability has not been reflected through the accounts.

Impact of GMP Equalisation

The State Pension for people who reached State Pension age before 6 April 2016 had two tiers - the basic State Pension (which was flat-rate and dependent on an individual's NI record) and the additional State Pension – which was partly earnings-related. It was possible to contract out of the additional State Pension into an occupational pension scheme that met set criteria. Where an employee was contracted-out, they and their employer paid a reduced rate of National Insurance, to reflect the fact that they were forfeiting additional State Pension rights for that period. Between 1978 and 1997, contracted-out schemes were required to provide a Guaranteed Minimum Pension (GMP). Since 1997, a different test has applied but contracted-out schemes still have to provide a GMP for rights accrued between 1978 and 1997.

On 1 November 2018, the High Court ruled that the Lloyds Banking Group must amend its defined benefit pension schemes in order to equalise Guaranteed Minimum Pensions (GMPs) for men and women. Any GMP equalisation would be included as a 'past service cost' in the CIES. However, this should only follow a 'trigger event' in respect of a particular pension scheme. The Actuary's view is that a 'trigger event' has yet to occur in respect of the Local Government Pension Scheme (LGPS) and the Actuary has therefore not made any allowance for GMP equalisation impact in its estimation of the net liability to pay pensions reflected in these accounts at 31 March 2019. The effect has been calculated by the Actuary and is estimated to be £1,025k. This increase in liability has not been reflected through the accounts.

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets	
	2018/2019	**2017/2018**
	£000	£000
Cash and cash equivalents	**19,543**	**13,426**
Equities:		
by industry type		
Consumer	10,964	45,069
Manufacturing	10,651	26,419
Energy and utilities	2,285	25,007
Financial institutions	7,383	20,860
Health and care	4,487	25,576
Information technology	4,880	17,948
Other	248	0
sub-total equity	**40,898**	**160,879**
Bonds:		
by sector		
Corporate (Investment Grade)	6,537	6,465
Corporate (non-Investment Grade)	30,799	25,434
UK Government	21,680	18,580
Other	13,378	12,158
sub-total bonds	**72,394**	**62,637**
Property:		
UK	**58,320**	**53,712**
Private equity		
All	**25,090**	**21,214**
Other investment funds:		
Equities	231,625	123,352
Infrastructure	23,957	18,931
Other	22,459	20,594
sub-total other investment funds	**278,041**	**162,877**
Total assets	**494,286**	**474,745**

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 next revaluation is to take place as at 31 March 2019.

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

	Local Government Pension Scheme	
	2018/2019	**2017/2018**
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	2.7%	2.6%
Rate of increase in pensions	2.5%	2.4%
Discount Rate	2.4%	2.7%
Rate of Inflation (CPI)	2.5%	2.4%

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

Change in Assumption at 31 March 2019	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.5% decrease in real Discount Rate	10%	68,683
0.5% increase in the Salary Increase Rate	1%	7,490
0.5% increase in the Pension Increase Rate	8%	60,235

Impact on the Council's Cash Flows

It has been estimated that the contributions to the scheme for 2019/2020 will be approximately £8.250m.

Note 40 – 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 £5.8m (the overall provision in the Business Rates Collection Fund is £11.9m 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 41 – Contingent Assets

The council does not have any material contingent assets.

Note 42 – 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 2019. The movements on which during the year were as follows:

	2018/2019			2017/2018		
	Charter Trustees £000	**Other Funds** £000	**Total** £000	**Charter Trustees** £000	**Other Funds** £000	**Total** £000
Opening Balance at 1 April	119	26	145	121	48	169
In Year Movement	(11)	1	(10)	(2)	(22)	(24)
Closing Balance at 31 March	**108**	**27**	**135**	**119**	**26**	**145**

Note 43 – 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 44 – 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 £12.5m were made in 2018/2019. 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 2018/2019 they received £2.528m of contract payments from the council, £1.25m 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 then updated to reflect the fact that the council had taken 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.

During 2018/2019 the S75 agreement was rewritten to reflect the formal arrangements being developed around the “Union”, essentially a wider integration and co-ordination of activities to assist with a more joined up approach, a more co-ordinated targeting of resources, with the aim of further improving the more effective and efficient use of limited resources.

Note 45 – Prior Period Adjustment

A school, which had previously converted to an academy, appeared on the council’s asset register. It had not been removed from the asset register due to the lease not yet being signed. However, as the school is controlling the asset and admissions policy for the school, the risks and rewards of the building are deemed to be the school’s and the asset should therefore not be on the council’s asset register.

The disposal of the building should have taken place prior to 2017/2018. The changes made have no impact on the general fund balances.

Applying the disposal of the asset from the council’s asset register has resulted in a reduction on the property, plant and equipment of £22.7m for 2018/2019.

The changes to the accounts have been made as follows:

BALANCE SHEET	2017/2018 £000	Restatement £000	Restated 2017/2018 £000	2018/2019 £000	Restatement £000	Restated 2018/2019 £000
Property, Plant & Equipment	226,872	(23,059)	203,813	231,112	(22,697)	208,415
Other Long Term Assets	57,145	0	57,145	57,633	0	57,633
Long Term Assets	**284,017**	**(23,059)**	**260,958**	**288,745**	**(22,697)**	**266,048**
Current Assets	**39,372**	**0**	**39,372**	**46,092**	**0**	**46,092**
Current Liabilities	**(51,993)**	**0**	**(51,993)**	**(57,747)**	**0**	**(57,747)**
Long Term Liabilities	**(290,025)**	**0**	**(290,025)**	**(332,910)**	**0**	**(332,910)**
Net Assets	**(18,629)**	**(23,059)**	**(41,688)**	**(55,820)**	**(22,697)**	**(78,517)**
Usable Reserves	37,475	0	37,475	39,078	0	39,078
Unusable Reserves	(56,104)	(23,059)	(79,163)	(94,898)	(22,697)	(117,595)
Total Reserves	**(18,629)**	**(23,059)**	**(41,688)**	**(55,820)**	**(22,697)**	**(78,517)**

NOTE 25 – UNUSABLE RESERVES	2017/2018 £000	Restatement £000	Restated 2017/2018 £000	2018/2019 £000	Restatement £000	Restated 2018/2019 £000
Capital Adjustment Account	77,894	(18,428)	59,466	79,971	(17,595)	62,376
Revaluation Reserve	48,555	(4,631)	43,924	48,765	(5,102)	43,663
Pensions Reserve	(184,908)	0	(184,908)	(223,365)	0	(223,365)
Collection Fund Adjustment Ac	3,686	0	3,686	993	0	993
Accumulated Absences Ac	(1,331)	0	(1,331)	(1,262)	0	(1,262)
Total Unusable Reserves	**(56,104)**	**(23,059)**	**(79,163)**	**(94,898)**	**(22,697)**	**(117,595)**

CIES	2017/2018 Net Expenditure £000	Restatement £000	Restated 2017/2018 £000	2018/2019 Net Expenditure £000	Restatement £000	Restated 2018/2019 £000
Resources and Governance	18,907	0	18,907	21,942	0	21,942
Economy and Growth	18,565	0	18,565	20,191	0	20,191
Communities	1,885	0	1,885	2,276	0	2,276
Children & Family Services	35,685	(510)	35,175	42,677	(973)	41,704
Public Health & Wellbeing	5,067	0	5,067	5,852	0	5,852
Adult Services	48,246	0	48,246	47,819	0	47,819
Other Corporate Budgets	11,638	0	11,638	(2,681)	0	(2,681)
Cost of Services	**139,993**	**(510)**	**139,483**	**138,076**	**(973)**	**137,103**
Other Operating Expenditure	4,491	0	4,491	6,356	0	6,356
Financing and Investment Income and Expenditure	8,183	0	8,183	6,362	0	6,362
Taxation and Non-Specific Grant Income and Expenditure	(133,456)	0	(133,456)	(140,494)	0	(140,494)
(Surplus) or Deficit on Provision of Services	**19,211**	**(510)**	**18,701**	**10,300**	**(973)**	**9,327**
(Surplus) or deficit on revaluation of PPE	(4,178)	1,029	(3,149)	(1,721)	611	(1,110)
Impairment losses and reversals on non-current assets charged to the revaluation reserve	(332)	0	(332)	(1,871)	0	(1,871)
Re-measurement of the net defined benefit liability/(asset)	(14,067)	0	(14,067)	30,483	0	30,483
Other Comprehensive Income and Expenditure	**(18,577)**	**1,029**	**(17,548)**	**26,891**	**611**	**27,502**
Total Comprehensive Income and Expenditure	**634**	**519**	**1,153**	**37,191**	**(362)**	**36,829**

CASH FLOW STATEMENT EXTRACT	2017/2018 £000	Restatement £000	Restated 2017/2018 £000	2018/2019 £000	Restatement £000	Restated 2018/2019 £000
Net surplus or (deficit) on the provision of services	(19,211)	510	(18,701)	(10,300)	973	(9,327)
Adjustment to surplus or deficit on the provision of services for non-cash movements	17,745	(510)	17,235	25,656	(973)	24,683
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(12,184)	0	(12,184)	(16,117)	0	(16,117)
Net cash flows from Operating Activities	**(13,650)**	**0**	**(13,650)**	**(761)**	**0**	**(761)**

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.

2017/2018			Collection Fund	2018/2019		
Business Rates	**Council Tax**	**Total**		**Business Rates**	**Council Tax**	**Total**
£000	£000	£000		£000	£000	£000
			INCOME			
	(73,019)	(73,019)	Council Tax Receivable		(78,212)	(78,212)
(65,621)		(65,621)	Business Rates Receivable	(61,132)		(61,132)
(65,621)	**(73,019)**	**(138,640)**	**Total amounts to be credited**	**(61,132)**	**(78,212)**	**(139,344)**
			EXPENDITURE			
			Apportionment of Previous Year Surplus/Deficit			
(1,197)		(1,197)	Central Government	2,370		2,370
(1,173)	819	(354)	Billing Authority	2,323	1,795	4,118
(24)	47	23	Fire Authority	47	101	148
	110	110	Police Authority		235	235
			Precepts, demands and shares			
28,454		28,454	Central Government	29,063		29,063
27,885	59,941	87,826	Billing Authority	28,482	63,985	92,467
569	3,358	3,927	Fire Authority	581	3,516	4,097
	7,847	7,847	Police Authority		8,494	8,494
			Charges to Collection Fund			
536	190	726	Write-offs of uncollectable amounts	742	178	920
260	676	936	Increase/(decrease) in allowance for impairment	14	(68)	(54)
(2,359)		(2,359)	Appeals charged to Appeals Provision	(3,240)		(3,240)
(1,390)		(1,390)	Change in Provision for Appeals	3,789		3,789
227		227	Charge to General Fund for allowable collection costs for non-domestic rates	223		223
8,856		8,856	Payments in Respect of Transitional Protection	2,189		2,189
			Other transfers to General Fund in accordance with non-domestic rates regulations			
201		201	Enterprise Zone Growth	125		125
112		112	Renewable Energy	135		135
60,957	**72,988**	**133,945**	**Total amounts to be debited**	**66,843**	**78,236**	**145,079**
(4,664)	**(31)**	**(4,695)**	**(Surplus) /deficit arising during the year**	**5,711**	**24**	**5,735**
866	(1,986)	(1,120)	(Surplus) / deficit brought forward at 1 April	(3,798)	(2,017)	(5,815)
0		0	Adjustment to brought forward balance (agreed by MHCLG)	(377)		**(377)**
(3,798)	**(2,017)**	**(5,815)**	**(Surplus) / deficit carried forward at 31 March**	**1,536**	**(1,993)**	**(457)**

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 2019

Council Tax Band	Valuation Band Limits	£		£	Calculated Number of Dwellings	Ratio to Band D	Band D Equivalent Dwellings	Council Tax Payable £
AR	Reduced Rate				46	5/9	25	991
A	Up to & including	40,000			24,635	6/9	16,423	1,189
B		40,001	-	52,000	14,083	7/9	10,953	1,387
C		52,001	-	68,000	7,517	8/9	6,682	1,585
D		68,001	-	88,000	4,516	9/9	4,516	1,783
E		88,001	-	120,000	1,885	11/9	2,304	2,180
F		120,001	-	160,000	675	13/9	975	2,576
G		160,001	-	320,000	409	15/9	681	2,972
H	More Than			320,001	27	18/9	55	3,567
						Council Tax Base	**42,614**	

The amount of Council Tax required for Band D, for North East Lincolnshire Council and its major preceptors, in 2018/2019 was calculated on the following basis:

(i)	Preceptor's Council Tax Requirements	£75,994,676
(ii)	Number of Band D equivalent Dwellings	42,614
	Band D – (i) divided by (ii)	£1,783

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 49.3p in 2018/2019 (47.9p in 2017/2018). The non-domestic rate multiplier for small businesses is 48.0p in 2018/2019 (46.6p in 2017/2018). Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by this multiplier. Local rateable values were £153.0m in 2018/2019 (£151.6m in 2017/2018).

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.