Report of the Director:
Governance and Partnerships

Agenda Item No: 3
Meeting: 27 July 2018

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

AUDIT OF ACCOUNTS 2017/2018
MATTERS ARISING FROM THE AUDIT

1. OBJECT AND KEY POINTS IN THIS REPORT

1.1 The council's unaudited accounts were approved by the Director: Governance and Partnerships on 31 May 2018. This met the statutory requirement that they be approved by 31 May 2018.

1.2 The Accounts have been produced under International Financial Reporting Standards (IFRS).

1.3 The accounts have since been audited and the external auditors have set out their findings in a report. This committee now needs to consider the proposed amendments and approve the changes to the accounts that result from it. It is a statutory requirement that this process concludes by 31 July 2018.

1.4 Some amendments are required to the accounts. However they do not change the position previously reported to Cabinet, in terms of the General Fund or balances available. There is therefore no impact on the Medium Term Financial Plan.

1.5 The council's external auditors will issue an unqualified opinion on the accounts and the arrangements to secure Value for Money shortly.

2. BACKGROUND INFORMATION

2.1. The Accounts and Audit Regulations require the Council to publish a statement of accounts each financial year. These accounts are the formal statement of the Council's financial performance for the year and its financial position at the end of that period. A financial year runs from April to March.

2.2. These accounts have to be considered and approved by the Council's Chief Financial Officer by 31 May. They must then be audited and published by 31st July. These deadlines are statutory requirements. The accounts were approved on the 31 May, the statutory deadline.

2.3. The International Standard on Auditing 260 – 'The Auditor's Communication with Those Charged with Governance (ISA 260)' requires auditors to report certain matters arising from the audit of the council's financial statements before giving an opinion on them.

2.4. The report from the council's Auditors (KPMG) is attached. It sets out the matters arising from the audit of the council's 2017/2018 accounts. Staff from KPMG will present the report to Committee. A copy of the amended accounts is included with this report.

2.5. The main findings of the report are:

- An unqualified opinion on the council's accounts and arrangements for achieving Value for Money will be issued shortly.

- That the closedown process has met the necessary statutory deadlines.

- An error was identified on recording changes in the Fixed Asset Register, which has led to an adjustment required to the Balance Sheet – Unusable Reserves. Although the adjustment has been classified as material, the error had no impact on the general fund balance. The arrangements for checking any significant changes to the Fixed Asset Register needed to be reviewed.

- Some other minor adjustments to the accounts were required.

2.6. International Standard on Auditing 580 'Management Representations' requires auditors to obtain written confirmations of appropriate representations from management before the audit report is issued. A proposed letter of representation is attached, which the Committee is asked to approve and authorise the Chair of the Audit Committee and the Director: Governance and Partnerships to sign.

2.7. Additionally IAS 570 requires a specific statement on the applicability of the 'Going Concern' concept to the council. The accounts have been prepared on a going concern basis. A review of the applicability of the concept to the council can be seen at Appendix 1. The Audit Committee are asked to confirm their agreement with this view.

3. OPTIONS FOR CONSIDERATION

3.1. The Audit Committee are invited to approve the amended accounts as attached.

3.2. That the Committee considers the Auditor's ISA 260 report and note its findings.

3.3. The Audit Committee are also invited to endorse the signing of the Letter of Representation.

3.4. Delegate approval to the Chair and the Director Governance and Partnerships to approve on behalf of the Audit Committee following the completion of all audit work.

4. ANALYSIS OF OPTIONS

4.1. Statutorily the accounts must be approved by the 31 July. The Committee should ask sufficient questions to gain assurance that the accounts present fairly the financial position of the council.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

5.1 The accounts present the council's financial position as at 31 March 2018. There are no other resource implications.

6. OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 - CRIME AND DISORDER, RISK AND OTHER)

6.1 The Accounts and Audit Regulations 2015 (England) require that each authority prepare and approve its accounts by 31 May and publish them by 31 July. The format and content of the accounts is also governed by the IFRS Code of Practice issued by CIPFA.

7. OUTCOMES OF CONSULTATION

7.1 None

8. RECOMMENDATIONS

8.1 That the Statement of Accounts for 2017/2018, prepared on a going concern basis and as amended in line with the Auditor's findings, be received and approved.

8.2 The Audit Committee notes the contents of the ISA260 Report.

8.3 The Audit Committee endorse the signing of the Letter of Representation by the Chair of the Audit Committee and the Director: Governance and Partnerships.

DIRECTOR GOVERNANCE AND PARTNERSHIPS

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Author:
Date: 23 July 2018

Background Papers used in the preparation of this report
Statement of Accounts 2017/2018
ISA260

APPENDIX 1

GOING CONCERN REVIEW

1. INTRODUCTION

The Code of Practice on Local Authority Accounting 2017/2018 (The Code) states that “an authority’s financial statements shall be prepared on a going concern basis; that is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern”.

2. GOING CONCERN ASSESSMENT

Local authorities are only created or discontinued by a statutory prescription and therefore the Code stipulates that the financial statements are prepared on a going concern basis.

Local authorities have to adhere to a balanced budget requirement as prescribed by the Local Government Act 1992 (as amended).
Section 28 of the Local Government Act 2003 requires local authorities take action for the deterioration of the financial position of the authority. It is therefore unlawful for an authority not to budget for a positive general fund balance

The council has a strategic plan that outlines the council’s priorities and plans and that is aligned with its Medium Term Financial Plan (MTFP). The council has approved a balanced MTFP.

An assessment of the council’s in-year performance and a review of the council’s financial position is included within the Narrative Statement of the statement of accounts.

3. CONCLUSION

The council is not aware of any material uncertainty, related to events, or issues, which would cast significant doubt upon the ability to continue as a going concern.

KPMG

External Audit ISA260 Report 2017/18

North Lincolnshire Council

July 2018

Summary for Audit and Governance Committee

This document summarises the key findings in relation to our 2017-18 external audit at North Lincolnshire Council ('the Authority').

This report covers both our on-site work which was completed in February and June and July 2018 on the Authority's significant risk areas, as well as other areas of your financial statements, and the control environment in place to support the production of timely and accurate financial statements.

Organisational and IT control environment	**We have identified no significant issues with the Authority's organisational and IT control environment and consider that the overall arrangements that have been put in place are reasonable.**
Controls over key financial systems	**The controls over the majority of the key financial systems are sound.** **However, there are some weaknesses in respect of the Property, Plant and Equipment which has led to significant disclosure errors in the Draft Statements.** **We needed to complete additional substantive work in this area at year-end which initially identified the errors and then we had to re-perform testing following the authority amendments.**
Accounts production	**The Authority's overall process for the preparation of the financial statements is sound and has achieved the early close deadlines.**
Financial statements	**Subject to all outstanding queries being resolved to our satisfaction we anticipate issuing an unqualified audit opinion on the Authority's financial statements before the deadline of 31 July 2018.** **At the time of writing this report the following balances were still being audited:** • **Property, Plant and Equipment.** • **Journal Testing** Based upon our initial assessment of risks to the financial statements (as reported to you in our *External Audit Plan 2017/18* and updated during our audit) we identified the following significant risks (excluding those mandated by International Standards on Auditing – see Page 10): — **Valuation of PPE** – TO BE UPDATED ON COMPLETION — **Pensions Liabilities and Assets** The pension Liabilities and Assets are fairly stated; and — **Faster Close** – The closedown team from North Lincolnshire Business Connect had a detailed closedown plan, this plan was delivered by the deadline and a complete set of Financial Statements and working papers were received by the audit team by the 31 May 2018 deadline.

Summary for Audit and Governance Committee (cont.)

Financial Statements (cont)

We have identified one audit adjustments with a total value of £8 million. See page 16 for details. These adjustments result in a net decrease of £8 million in the reported deficit on provision of services and a nil movement in the general fund balance.

Based on our work, we have raised one recommendation. Details of our recommendations can be found in Appendix 1.

We are still working through a small number of procedures, mainly on the revised Fixed Asset Values . We also have the completion stage of the audit to complete. We anticipate giving our opinion by the deadline of 31 July 2018 and will supply the completion certificate and Annual Audit Letter as soon as possible following the completion of the PSAA work.

Value for money arrangements

We have completed our risk-based work to consider whether in all significant respects the Authority has proper arrangements to ensure it has taken properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We therefore anticipate issuing an unqualified value for money opinion See further details on page 20.

Exercising of audit powers

We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about.

We have not identified any matters that would require us to issue a public interest report.

In addition, we have not had to exercise any other audit powers under the Local Audit & Accountability Act 2014.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help

Section one

Control Environment

Organisational and IT control environment

We have identified no significant issues with the Authority's organisational and IT control environment and consider that the overall arrangements that have been put in place are reasonable.

Work completed

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit. We obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented. We do not complete detailed testing of these controls.

The Authority relies on information technology ("IT") to support both financial reporting and internal control processes. In order to satisfy ourselves that we can rely on the use of IT, we tested controls over access to systems and data, system changes and maintenance. The systems covered by this testing was the General Ledger, I Trent (payroll) and the overall network.

Key findings

We consider that your organisational controls are effective overall.

Aspect of controls	Assessment
Organisational controls:	
Management's philosophy and operating style	3
Culture of honesty and ethical behaviour	3
Oversight by those charged with governance	3
Risk assessment process	3
Communications	3
Monitoring of controls	3
IT controls:	
Access to systems and data	3
System changes and maintenance	3

Key	
1	Significant gaps in the control environment.
2	Deficiencies in respect of individual controls
3	Generally sound control environment.

Controls over key financial systems

The controls over the majority of the key financial systems are sound.

However, there are some weaknesses in respect of the Property, Plant and Equipment which has led to material errors in the Draft Statements.

We needed to complete additional substantive work in this area at year-end which initially identified the errors and then we had to re-perform testing following the authority amendments.

Work completed

We review the outcome of internal audit's work on the financial systems to influence our assessment of the overall control environment, which is a key factor when determining the external audit strategy.

Where we have determined that this is the most efficient audit approach to take, we evaluate the design and implementation of the control and then test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Our assessment of a system will not always be in line with your internal auditors' opinion on that system. This is because we are solely interested in whether our audit risks are mitigated through effective controls, i.e. whether the system is likely to produce materially reliable figures for inclusion in the financial statements.

Key findings

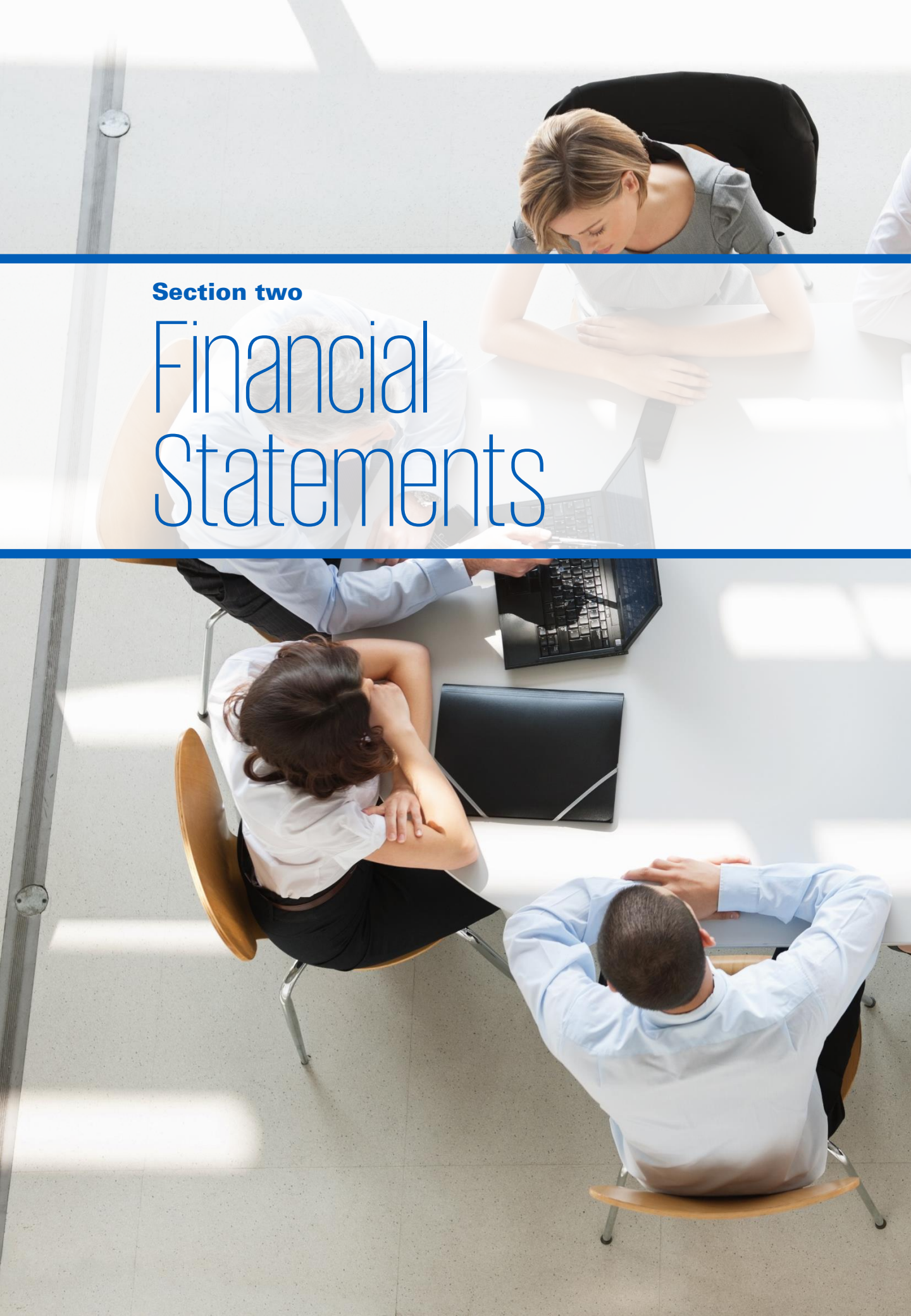
Based on our work we have determined that for the majority of the key financial systems the controls overall are sound. However, we noted some weaknesses in respect of Property Plant and Equipment (Fixed Asset System – Tech-forge) that impacted on our audit:

— Weakness 1: The valuer and Finance staff have made some changes to bring the land and Buildings of one asset under a single asset in the Fixed Asset Register. This has led to material errors in the movements and valuations that have been recorded in the Statement of Accounts. (recommendation 1).

Controls over key financial systems (cont.)

Aspect of controls	Assessment
Property, Plant and Equipment	2
Cash and Cash Equivalents	3
Pension Assets and Liabilities	3
Non pay expenditure	3
Payroll	3
Housing benefits expenditure	3
Business rates income	3
Council tax income	3

Key	
1	Significant gaps in the control environment
2	Deficiencies in respect of individual controls
3	Generally sound control environment



Section two

Financial Statements

Accounts production and audit process

Audit standards (ISA 260) require us to communicate our views on the significant qualitative aspects of the Authority's accounting practices and financial reporting.

We also assessed the Authority's process for preparing the accounts and its support for an efficient audit. The efficient production of the financial statements and good-quality working papers are critical to meeting the tighter deadlines.

The Authority's overall process for the preparation of the financial statements is sound and has achieved the early close deadlines.

There are no recommendations outstanding from our *ISA 260 Report 2016/17*.

Accounts practices and production process

The Authority incorporated a number of measures into its closedown plan to further improve the project management of this complex process. This includes:

- deadlines for
- Completion of accruals;
- Cash allocation;
- The use of estimated values for more entries in the statements;
- Increase the de-minimis level for inventories;
- More work done in year and capital entries; and
- Prepopulating some working papers to allow numbers to be added at year end.

Specifically, the Authority recognised the additional pressures which the earlier closedown brought and we engaged with officers in the period leading up to the year end in order to proactively address issues as they emerge.

We consider that the overall process for the preparation of your financial statements is adequate.

We also consider the Authority's accounting practices appropriate.

Going concern

The financial statements of the Authority have been prepared on a going concern basis. We confirm that we have identified no significant matters which would, in our view, affect the ability of the Authority to continue as a going concern.

Implementation of recommendations

We raised two recommendations in our ISA 260 Report 2016/17. The Authority has implemented one of the recommendations relating to the financial statements in line with the timescales of the action plan. The recommendation that was raised in respect of the IT controls in the Northgate system was not accepted, as they have compensating controls in place.

No accepted recommendations remain outstanding.

Accounts production and audit process (cont.)

Completeness of draft accounts

We received a complete set of draft accounts on 31 May 2018, which was the statutory deadline.

Quality of supporting working papers

We issued our Accounts Audit Protocol to Sarah Milburn (Financial Systems and Accounting Strategic Lead) on 11 February 2018. This important document sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the Authority to provide us to support our audit work. This helps the Authority to provide audit evidence in line with our expectations. We followed this up with a meeting with Management to discuss specific requirements of the document request list.

The quality of the working papers was maintained alongside the early close.

Response to audit queries

In general, the time taken by officers to deal with our audit queries was in line with what was agreed at the onset of the audit.

However, due to the issues identified in relation to fixed assets, the Authority had to rework a significant number of entries that were included in the Fixed Asset Register. This has had the effect that work done initially will have to be redone once the adjustments are made, and also the revised values have not been tested at the point of writing this report.

It is hoped that the testing will be carried out before the Audit Committee on the 27th July and a verbal update will be provided.

Specific audit areas

We anticipate issuing an unqualified audit opinion on the Authority's 2017-18 financial statements by 31 July 2018.

For the year ending 31 March 2018, the Authority has reported a deficit of £28.8m. The impact on the Total General Fund Balances has been an increase of £2.6m.

Auditing standards require us to consider two standard risks for all organisations. We consider these as a matter of course in our audit and will have set out the findings arising from our work in our ISA 260 Report below.

01

Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to this audit.

In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

There are no matters arising from this work that we need to bring to your attention.

02

Fraudulent revenue recognition

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

In our *External Audit Plan 2017-18* we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.

This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

Over the following pages we have set out our assessment of the specific significant risks and areas of audit focus we identified in relation to the audit of the Authority's financial statements.

Specific audit areas

Significant Audit Risks – Authority

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Authority.

Risk:	**Valuation of PPE** The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this we have identified two specific audit risks: • a valuation by definition is an estimate and with the material values included in the PPE there is a core significant risk of material misstatement • as individual assets may not be revalued for four years, there is a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value. In addition, as the valuation is undertaken as at 1 April, there is a risk that the fair value is different at the year end.
Our assessment and work undertaken:	We reviewed the approach that the Authority adopted to assess the risk that assets not subject to valuation were materially misstated and considered the robustness of that approach. In addition, we considered movements in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values had moved materially over that time. In relation to those assets which have been revalued during the year we reviewed the accounting entries made to record the results of the revaluation to ensure that they were appropriate. We also assessed the valuer's qualifications, objectivity and independence to carry out such valuations and reviewed the methodology used (including testing the underlying data and assumptions). CURRENTLY THIS WORK IS ONGOING DUE TO ERRORS FOUND IN THE FIXED ASSET REGISTER We have set out our view of the assumptions used in relation to accounting for Property, Plant & Equipment at page 14.

Specific audit areas (cont.)

Significant Audit Risks – Authority (cont.)

Risk:

Pension Liabilities

The net pension liability represents a material element of the Authority's balance sheet. The Authority is an admitted body of East Riding of Yorkshire Council Pension Fund, which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018.

The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation.

There are financial assumptions and demographic assumptions used in the calculation of the Authority's valuation, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Authority's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.

There is a risk that the assumptions and methodology used in the valuation of the Authority's pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.

Our assessment and work undertaken:

As part of our work we reviewed the controls that the Authority has in place over the information sent directly to the administering authority/Pension Fund. Administering authority/Pension Fund is responsible for submitting the information to the Scheme Actuary. We also liaised with the auditors of the Pension Fund in order to gain an understanding of the effectiveness of those controls operated by the Pension Fund. We also assessed the controls with respect to the management review of assumptions used in the valuation report and accounts. We also evaluated the competency, objectivity and independence of Hymans Robertson.

We reviewed the appropriateness of the key assumptions included within the valuation, compared them to expected ranges and involved a KPMG Actuary to provide a specialist assessment of those assumptions. We also reviewed the methodology applied in the valuation by Hymans Robertson.

In addition, we reviewed the overall Actuarial valuation and considered the disclosure implications in the financial statements.

In order to determine whether the net pension liability has been appropriately accounted for we also considered the valuation of the pension assets. We obtained assurance from the Pension Fund auditors KPMG over the overall value of fund assets. We then liaised with the actuary to understand how these assets are allocated across participating bodies and re-performed this allocation.

As a result of this work we concluded that the Pension Assets and Pension Liabilities are fairly stated.

We have set out our view of the assumptions used in valuing pension assets and liabilities at page 15.

Specific audit areas (cont.)

Significant Audit Risks – Authority (cont.)

Risk:

Faster Close

In prior years, the Authority has been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018 however, revised deadlines apply which require draft accounts by 31 May and final signed accounts by 31 July.

These changes represent a significant change to the timetable that the Authority has previously worked to. The time available to produce draft accounts has been reduced by one month and the overall time available for completion of both accounts production and audit is two months shorter than in prior years.

In order to meet the revised deadlines, the Authority may need to make greater use of accounting estimates. In doing so, consideration will need to be given to ensuring that these estimates remain valid at the point of finalising the financial statements. In addition, there are a number of logistical challenges that will need to be managed. These include:

- Ensuring that any third parties involved in the production of the accounts (including valuers, actuaries, are aware of the revised deadlines and have made arrangements to provide the output of their work in accordance with this;
- Revising the closedown and accounts production timetable in order to ensure that all working papers and other supporting documentation are available at the start of the audit process;
- Ensuring that the Audit Committee meeting schedules have been updated to permit signing in July; and
- Applying a shorter paper deadline to the July meeting of the Audit Committee meeting in order to accommodate the production of the final version of the accounts and our ISA 260 report.

In the event that the above areas are not effectively managed there is a significant risk that the audit will not be completed by the 31 July deadline.

There is also an increased likelihood that the Audit Certificate (which confirms that all audit work for the year has been completed) may be issued separately at a later date if work is still ongoing in relation to the Authority's Whole of Government Accounts return and the Pension Fund Annual Report. This is not a matter of concern and is not seen as a breach of deadlines.

Our assessment and work undertaken:

We liaised with officers in preparation for our audit in order to understand the steps that the Authority was taking to ensure it met the revised deadlines. We also advanced audit work into the interim visit in order to streamline the year end audit work.

We received draft financial statements on the statutory deadline of 31 May 2018. The quality of this draft was consistent with that of prior years and as a result a similar number of presentational adjustments were identified.

We have reviewed the workings and any estimates used in the closedown process to assess the risk of a material misstatement

As a result of this work, we determined that the quality of the draft statements received is sound and that the use of additional estimation, increased de-minimis levels have not materially impacted on the reader of the financial statements.

Judgements

We have considered the level of prudence within key judgements in your 2017-18 financial statements and accounting estimates. We have set out our view below across the following range of judgements.

Level of prudence

0	1	2	3	4	5	6
Audit Difference	Cautious		Balanced		Optimistic	**Audit Difference**
	Acceptable Range					

Subjective area	2017-18	2016-17	Commentary
Business Rates provision	3	3	Since 2013/14 the Authority has been responsible for a proportion of successful rateable value appeals. The Authority has reviewed its NDR provisions and incorporate historical appeals success rates to fairly reflect local information. The overall provision has increased by of £4.3m to £9,1m during 2017.18
Property Plant & Equipment:			To be completed following completion of the valuation work
Total Earmarked General Fund Balances	3	3	During 2017.18 the Authority transferred £2.6m into its Earmarked Reserves and Total General Fund Balance from £35m to £37m which was in line with the medium term plan.

Judgements (cont.)

Subjective area	2017-18	2016-17	Commentary
Valuation of pension assets and liabilities Assets £654m (£636m 2016.17) Liabilities £885m (£867m 2016.17)	4	3	The Authority continues to use Hymans Robertson to provide actuarial valuations in relation to the assets and liabilities recognised as a result of participation in the Local Government Pension Scheme. Due to the overall value of the pension assets and liabilities, small movements in the assumptions can have a significant impact on the overall valuation. For example, a 0.5% change in the discount rate would change the net liability by £86 million. Overall, the actual assumptions adopted by the actuary fell within our expected ranges. The discount rate used by the actuary of 2.7% fell outside of our acceptable range. However, taking account of the CPI assumption, the net discount rate was within our acceptable range.

Assumption	Actuary Value	KPMG Range	Assessment
Discount rate	2.70%	2.35-2.65%	6
CPI inflation	2.40%	1.91 -2.41%	1
Net discount rate	0.3%	0.19-0.49%	3
Salary Growth	2.6%	2.4 – 4.4%	5
Life expectancy male / female 45 Male /female 65	 23.7/ 26.4 21.7/ 24.2	 23.5/25.4 22.1/23.9	2

Although we have identified that the discount rate of 2.7% is outside of our expected range we have not reported this as an audit difference. This is because we are satisfied that the net discount rate, which is a more accurate measure of the impact on the Pension Liability is within our expected range. To provide a financial context, our KPMG actuaries estimate that reducing the discount rate assumption from 2.7% to 2.5% would, in isolation, increase the pension liability by approximately £8m.

Proposed opinion and audit differences

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's 2017-18 financial statements following approval of the Statement of Accounts by the Audit Committee] on 27 July 2018.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality (see Appendix 4) for this year's audit was set at £6 million. Audit differences below £300k are not considered significant.

Our audit identified a total of one material audit differences, which we set out in Appendix 3. It is our understanding that these will be adjusted in the final version of the financial statements.

The tables below illustrate the total impact of audit differences on the Authority's movements on the General Fund for the year and balance sheet as at 31 March 2018. The net impact on the General Fund as a result of audit adjustment is no impact to the balance as at 31 March 2018. The main impact of the adjustments is to increase the capital adjustment reserve by £8m and reduce the Revaluation Reserve by £9m

— Correct the revaluation errors identified in the Fixed Asset Register, this reduces the expenditure in the CIES by £8m and reduces the revaluation reserve by the same £8m. It has no impact on the Fixed Asset overall value, but impacts on the Fixed Asset note on revaluations and impairments, and increases the capital adjustment reserve by £8m.

In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 ('the Code'). We have set out details of significant presentational adjustments in Appendix 3. We understand that the Authority will be addressing these where significant.

Movement on the General Fund 2017-18

£m	Pre-Audit	Post-Audit	Ref[1]
(Deficit) on the provision of services	(37)	(29)	ref 1
Adjustments between accounting basis and funding basis under regulations	40	32	ref 1
Transfers to earmarked reserves	3	3	
[Increase/Decrease] in General Fund	**nil**	**Nil**	

Balance Sheet as at 31 March 2018

£m	Pre-Audit	Post-Audit	Ref[1]
Property, Plant & Equipment	502	502	
Other long term assets	53	53	
Current assets	67	67	
Current liabilities	-72	-72	
Long term liabilities	-393	-393	
Net worth	**157**	**157**	
Usable Reserves	48	48	
Capital Adjustment reserve	212	220	ref 1
Revaluation reserve	137	129	ref 1
Pension reserve	-231	-231	
Other Unusable reserves	-11	-11	
Total Reserves	**157**	**157**	

[1] See referenced adjustments in Appendix 3.

Proposed opinion and audit differences (cont.)

Annual governance statement

We have reviewed the Authority's 2017-18 Annual Governance Statement and confirmed that it is not misleading and is consistent with other information we are aware of from our audit of the financial statements.

Narrative report

We have reviewed the Authority's 2017-18 narrative report and have confirmed that it is consistent with the financial statements and our understanding of the Authority.

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's 2017/18 financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our Annual Audit Letter and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of North Lincolnshire Council for the year ending 31 March 2018, we confirm that there were no relationships between KPMG LLP and North Lincolnshire Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in [Appendix 5] in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Responsible Finance Officer for presentation to the Audit and Governance Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with management;
- Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc.).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2017-18 financial statements.

Section three

Value for Money Arrangements

Specific value for money risk areas

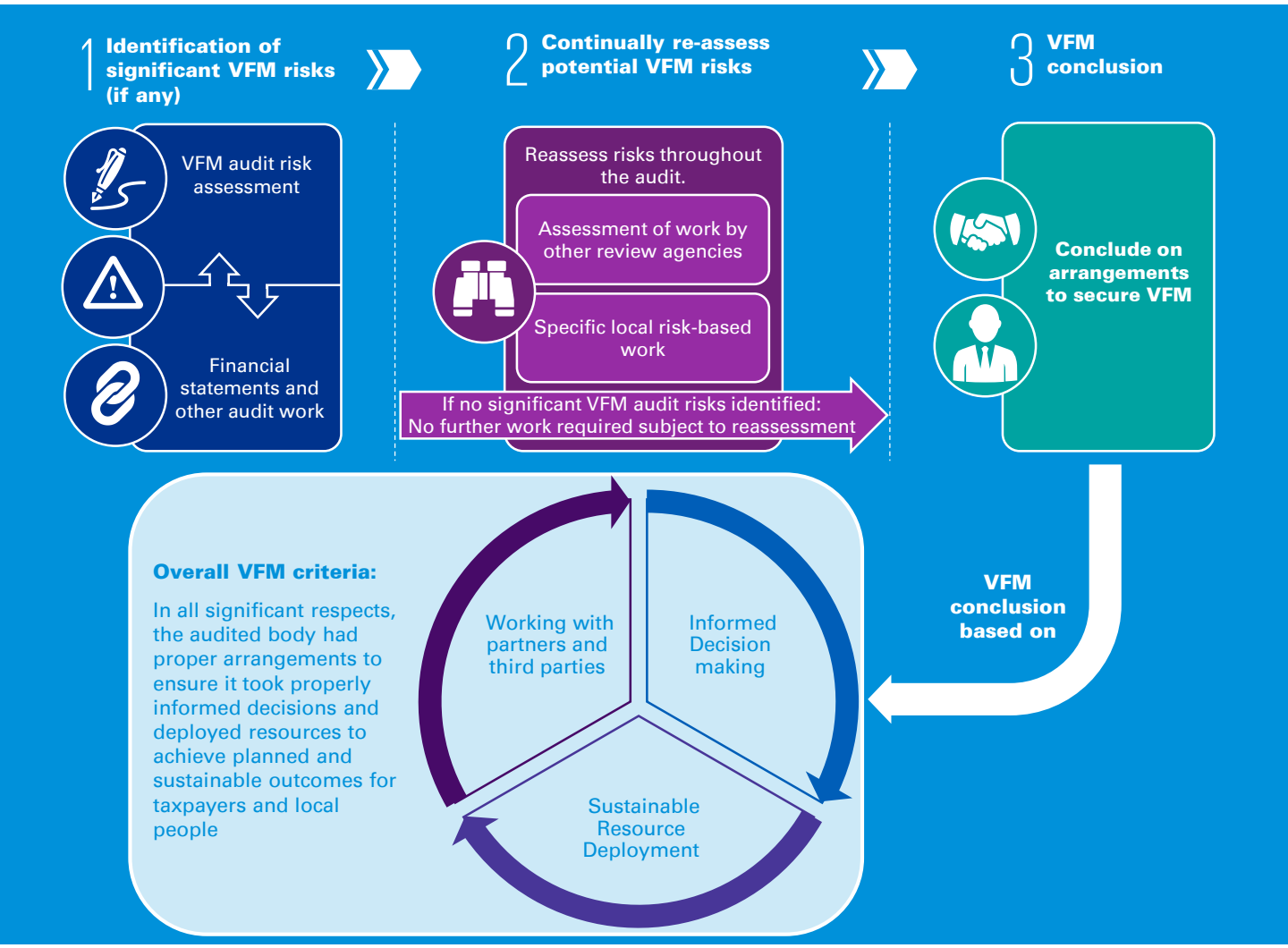
Our 2017-18 VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have concluded that the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

We follow a risk based approach to target audit effort on the areas of greatest audit risk.



Value for money risk assessment

As communicated to you in our *External Audit Plan 2017-18* and as updated throughout the audit, we have identified no risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

In all cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

Appendices

Appendix 1:

Key issues and recommendations

Our audit work on the Authority's 2017-18 financial statements has identified two issue. We have listed these issues in this appendix together with our recommendations which we have agreed with Management. We have also included Management's responses to these recommendations.

The Authority should closely monitor progress in addressing the risks, including the implementation of our recommendations.

We have given each recommendation a risk rating and agreed what action management will need to take.

Priority Rating for Recommendations

1	**Priority One:** Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk. Recommendations Raised: 0	2	**Priority Two:** Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system. Recommendations Raised: 1	3	**Priority Three:** Issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them. Recommendations Raised: 0

No.	Risk	Issue & Recommendation	Management Response
1	2	The Internal Valuer and Finance staff have made some adjustments in the detail of the Fixed Asset Register to bring the land and buildings onto a single asset. ***Risk*** This has led to significant incorrect accounting entries in the CIES and Revaluation reserve and also meant that the finance and audit teams had to invest significant amounts of time to correct these errors. ***Recommendation*** Ensure that following any significant changes / amendments in the Fixed Asset Register that a reconciliation is carried out to ensure that the changes that have been made are fully reflected correctly within the Fixed Asset Register, and accounting entries.	A process will be put in place to ensure checks are undertaken following the revaluation uploads ***Responsible Officer*** Sarah Milburn ***Implementation Deadline*** 31 January 2019

Appendix 2:

Follow-up of prior year recommendations

The Authority has implemented all of the recommendations raised through our previous audit work.

This appendix summarises the progress made to implement the recommendations identified in our *ISA 260 Report 2016/17* and outstanding recommendations from previous audit years and re-iterates any recommendations still outstanding.

Number of recommendations that were	
Included in the original report	2
Implemented in year or superseded	2
Outstanding at the time of our interim audit	-

Appendix 3:

Audit differences

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit and Governance Committee).

We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

A small number of minor amendments focused on presentational improvements have also been made to the 2017-18 draft financial statements. The Finance team is committed to continuous improvement in the quality of the financial statements submitted for audit in future years.

Adjusted audit differences – Authority

The following table sets out the material audit difference identified by our audit of North Lincolnshire Council's financial statements for the year ended 31 March 2018. These have been adjusted in the revised statements that we have received.

Table 1: Adjusted audit differences – Authority (£'000)

No.	Income and expenditure statement	Movement in reserves statement	Assets	Liabilities	Reserves	Basis of audit difference
2	Cr Revaluation losses w/o to CIES £8m	Dr Account Adj between Accounting + Financing £8m	-	-	Cr Capital Adjustment Account £8m Dr Revaluation Reserve £8m	Correcting the incorrect revaluation down w/o to CIES and revaluation up to Revaluation Reserve on transfer of Land in the Fixed Asset Register.
	Dr £8m	**Cr £8m**	**-**	**-**	**-**	**Total impact of adjustments**

Unadjusted audit difference

There are no unadjusted audit differences

Audit differences (cont.)

Presentational adjustments - Authority

We identified a small number of presentational adjustments required to ensure that the Authority's financial statements for the year ending 31 March 2018 are fully compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 ('the Code').

Whilst the majority of these adjustments were not significant, we identified a small number of adjustments of a more significant nature and details of these are provided in the following table.

These adjustments have been made to the revised statements that we have received.

Table 5: Presentational adjustments – Authority

No.	Basis of audit difference
1	The Note 1 to the Collection Fund has been amended to include all Council Tax income in the collection fund and not just the Authorities own precept.
2	An adjustment was made to the Senior Officer remuneration note to comply with the Code.
3	Adjustments to Note 14 due to the errors found in the Fixed Asset Register
4	Operating Lease note updated values to meet the code requirements

Appendix 4:

Materiality and reporting of audit differences

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.

Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.

Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our *External Audit Plan 2017-18*, presented to you in January 2018.

Materiality for the Authority's accounts was set at £6 million which equates to around 1.5 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit and Governance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Governance Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, an individual difference is considered to be clearly trivial if it is less than £300 thousand for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Appendix 5:

Required communications with the Audit and Governance Committee

We have provided below at-a-glance summary of the information we are required to report to you in writing by International Accounting Standards.

Required Communication	Commentary
Our draft management representation letter	We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2018.
Adjusted audit differences	We have identified 1 adjusted audit differences with a total value of £8million. See page 25 for details. These adjustments result in a net increase of £8 million in the reported deficit on provision of services. See page 25 for further details.
Unadjusted audit differences	There are no unadjusted audit differences
Related parties	There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee	There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	We have set out our assessment of the Authority's internal control environment, including details of one significant deficiency identified, in Section one of this report (see pages 5 to 6).
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	We identified no actual or suspected fraud involving the Authority's Member or officers with significant roles in internal control, or where the fraud resulted in a material misstatement in the financial statements.
Significant difficulties	No significant difficulties were encountered during the audit.
Modifications to auditor's report	There are no modifications to our audit report.
Disagreements with management or scope limitations	The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.

Appendix 5:

Required communications with the Audit and Governance Committee] (cont.)

Required Communication	Commentary
Other information	No material inconsistencies were identified related to other information in the Narrative Report or Annual Governance Statement. These reports were found to be fair, balanced and comprehensive, and compliant with applicable requirements.
Our declaration of independence and any breaches of independence	No matters to report. The engagement team have complied with relevant ethical requirements regarding independence. See Appendix [6] for further details.
Accounting practices	Over the course of our audit, we have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate. We have set out our view of the assumptions used in valuing pension assets and liabilities at page 15.
Significant matters discussed or subject to correspondence with management	There were no significant matters arising from the audit which were discussed, or subject to correspondence, with management.

Appendix 6:

Declaration of independence

ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF NORTH LINCOLNSHIRE COUNCIL

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Limited's ('PSAA's') Terms of Appointment relating to independence, the requirements of the FRC Ethical Standard and the requirements of Auditor Guidance Note 1 - General Guidance Supporting Local Audit (AGN01) issued by the National Audit Office ('NAO') on behalf of the Comptroller and Auditor General.

This Statement is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

— General procedures to safeguard independence and objectivity;

— Independence and objectivity considerations relating to the provision of non-audit services; and

— Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

— Instilling professional values

— Communications

— Internal accountability

— Risk management

— Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Declaration of independence (cont.)

Independence and objectivity considerations relating to the provision of non-audit services

Summary of fees

We have considered the fees charged by us to the authority and its controlled entities for professional services provided by us during the reporting period. We have detailed the fees charged by us to the authority and its controlled entities for significant professional services provided by us during the reporting period in Appendix 7, as well as the amounts of any future services which have been contracted or where a written proposal has been submitted. Total fees charged by us for the period ended 31 March 2018 can be analysed as follows:

	2017-18 £	2016-17 £
Audit of the Authority	106,138	106,138
Total audit services	**106,138**	**106,138**
Allowable non-audit services	-	-
Audit related assurance services	3,500	3,500
Mandatory assurance services	13,410	15,615
Total Non Audit Services	**16,910**	**19,115**

We are required by AGN 01 to limit the proportion of fees charged for non-audit services (excluding mandatory assurance services) to 70% of the total fee for all audit work carried out in respect of the Authority under the Code of Audit Practice for the year. The ratio of non-audit fees to audit fees for the year was 0.16:1. We do not consider that the total of non-audit fees creates a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out table on the following page.

Declaration of independence (cont.)

Analysis of Non-audit services for the year ended 31 March 2018

Description of scope of services	Principal threats to independence and Safeguards applied	Basis of fee	Value of services delivered in the year ended 31 March 2018 £	Value of services committed but not yet delivered £
Allowable non-audit services				
None			-	-
Audit-related assurance services				
Grant Certification – Teachers Pensions Return	The nature of these audit-related services is to provide independent assurance on the returns. As such we do not consider them to create any independence threats.	Fixed Fee	3,500	3,500
Mandatory assurance services				
Grant Certification – Housing Benefit Subsidy Return	The nature of this mandatory assurance service is to provide independent assurance on each of the returns. As such we do not consider it to create any independence threats.	Fixed Fee	13,410	15,615

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee.

Confirmation of audit independence

We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

KPMG LLP

Appendix 7:

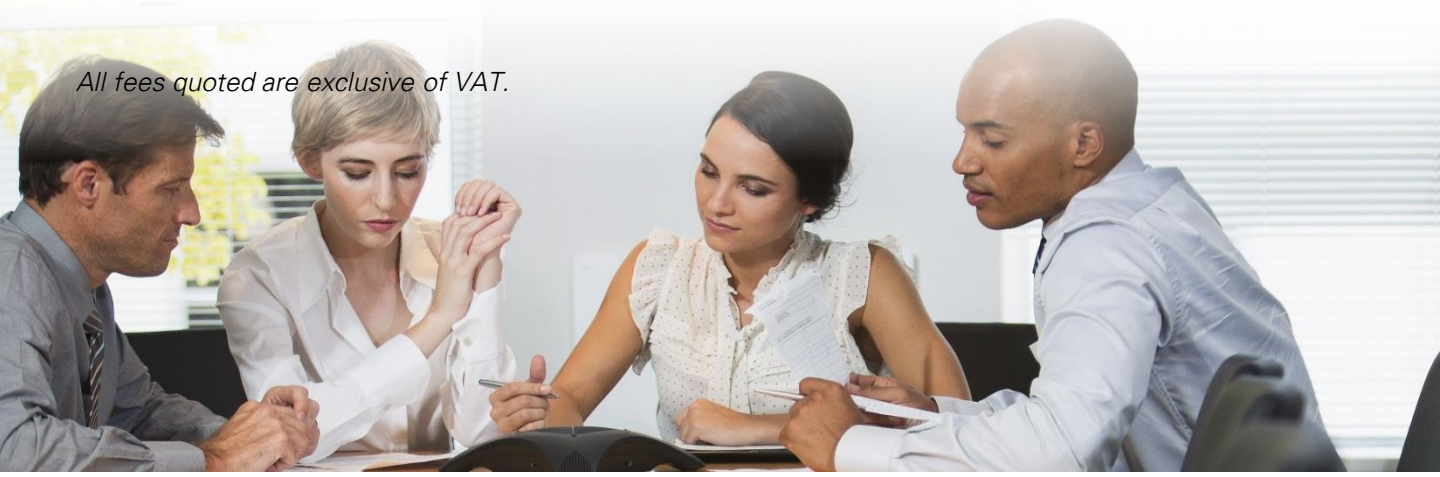
Audit fees

As communicated to you in our *External Audit Plan 2017-18*, our scale fee for the audit is £104,138 plus VAT (£104,138 in 2016/17), which is consistent with the prior year.

However, we propose an additional fee of £2,000 due to the errors that were identified in the Fixed Asset Register which meant that we incurred additional costs both in understanding the errors initially and also in the duplication of having to agree through additional Fixed Asset Register reports through to the financial statements, also the management time taken to discuss these issues with North Lincolnshire Business Connect team. We have discussed and agreed this additional fee in relation to delays, etc with the S151 officer. This is still subject to PSAA's final determination.

Our work on the certification of the Authority's Housing Benefit Subsidy return is planned for August to Nov 2018 The planned scale fee for this is £13,410 plus VAT (£15,615 in 2016/17). Planned fees for other grants and claims which do not fall under the PSAA arrangements amount to £3,500 plus VAT (£3,500 in 2016/17), see further details below.

Component of the audit	2017-18 Planned Fee £	2016-17 Actual Fee £
Accounts opinion and value for money work		
PSAA Scale fee North Lincolnshire Council	104,138	104,138
Additional fee in relation to the errors and additional work required for PPE	2,000	2,000
Total audit services	**106,138**	**106,138**
Mandatory assurance services		
Housing Benefits Certification (work planned for August - Nov	13,410	15,615
Total mandatory assurance services	**13,410**	**15,615**
Audit-related assurance services		
Teachers' Pension Return (work planned for August	3,500	3,500
Total audit-related assurance services	**3,500**	**3,500**
Total non-audit services	**16,910**	**19,115**
Grand total fees for the Authority	**123,048**	**125,253**



All fees quoted are exclusive of VAT.

The key contacts in relation to our audit are:

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Partner

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E: clare.partridge@kpmg.co.uk

Matthew Moore
Manager

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E: matthew.moore@kpmg.co.uk

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Clare Partridge the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

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North Lincolnshire Council Statement of Accounts

FINANCIAL YEAR 2017/2018

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Contents

Narrative Statement

These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018 (the Code). The purpose of this narrative statement is to explain, in an easy to understand way, the financial facts in relation to the council.
This Statement of Accounts explains North Lincolnshire Council's finances during the financial year 2017/2018 and its financial position at the end of that year. It follows approved accounting standards and is necessarily technical in parts.
The Narrative Statement is not part of the financial statements but is prepared on the basis that it is consistent with the financial statements. Its purpose is to comment on the financial performance of the council and the economy, efficiency and effectiveness in its use of resources over the financial year.

Main Statements

The Expenditure and Funding Analysis

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

The 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 show how the movements in year of the council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following these adjustments.

Comprehensive Income and Expenditure Statement (CIES)

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

The 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, ie those reserves that the council may use to fund service provision, 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 reserves is those that the council is not able to use to fund service provision. This category of reserve includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to fund service provision 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.

The 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 service 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 (ie borrowing) to the council.

The 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.

Group Accounts

The Code requires Local Authorities to consider all their interests and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. North Lincolnshire Council does not have material interests in such bodies and accordingly is not required to prepare group financial statements.

Overview of the Area and Council

North Lincolnshire Council is a Unitary Authority with the powers of a Non-Metropolitan County and a District Council. This means it is responsible for a hundreds of essential local government services. To deliver these services it employs a workforce of around 3,300 people, making it a major local employer.

The Council has 43 Councillors, and the Executive business of the Council is the responsibility of the Cabinet (8 councillors from the majority political group – Conservative 2011 and since the May 2015 elections the Conservative party has 26 seats and the Labour party 17 seats). The next Council elections will be in May 2019 and all seats will be contested.

North Lincolnshire has an estimated population of around 171,000 people and an area of 849 km^2. It is largely rural, including market towns and settlements of Brigg, Crowle, Epworth, Barton upon Humber, Winterton, Broughton, Kirton in Lindsey, Barnetby Le Wold, Haxey and Messingham. The major sub-regional towns of Scunthorpe and Bottesford are home to almost half of North Lincolnshire residents. It has excellent road and rail links with easy access to Grimsby and Cleethorpes to the east, Hull to the North, Lincoln to the south and Doncaster, Sheffield and Leeds to the west.

Vision and Ambition

The Council is an ambitious, learning organisation that relentlessly drives for excellence not just for North Lincolnshire Council but for North Lincolnshire as a place. Our ambition for North Lincolnshire to be the best place to live, work, visit and invest and for the council to be the best it can be.
We are a high performing Authority and to ensure we are ready to embrace new challenges and opportunities, we have been undertaking a significant step change in how we are organised, how we do business, how we enhance our

place leadership role and how we interact with our community. The council is well positioned to help keep the people and place of North Lincolnshire Safe, Well, Prosperous and Connected and prioritise its resources to enable this.

North Lincolnshire Council's core organisational model underpins the underlying principle of "enabling". The need to enable individuals to have increased resilience, communities to be independent and the council to be a sustainable Place Leader lies at the heart of the council's strategic approach. The organisational model is a way of organising services to manage people's needs at the lowest level, with the emphasis throughout on enabling self-development and community capacity resulting in improved outcomes and reduced costs.

The Council gears its capacity around new ways of working and how it can maximise the impact of scarce resources available to improve outcomes. The operating principles support the Council to achieve its organisational goal of being sustainable, enabling, commercial and progressive:

- Prioritise resources to agreed priorities
- Act early to prevent failure and the escalation of need
- Keep close control of High Risk functions and services
- Where it delivers better outcomes and value for money:
    - alternative delivery is considered for low-risk, high-volume services
    - Commission or integrate with partners
- Invest to save and to transform

The Council has started on a journey of whole scale change in how we operate as an Authority and how we impact positively on the place around us. Central to this approach has been the organisational structural change and commensurate appointment of a Leadership Team and Executive prior to the start of this financial year. Aligned to this and central in achieving our ambition is a change in culture and a collective focus on outcomes. The steps along this journey involve everyone working together as part of one council team, recognising the contribution everyone can make. This approach to transformation is showing a positive impact on financial sustainability, as outlined below.

Financial Performance 2017/18

The Council set its Medium Term Financial Plan (MTFP) 2017-20 and budget for 2017-18 in February 2017.
The net spending power in 2017/18 for revenue amounted to £126.15m with a capital programme originally set at £91.43m for 2017/18.
This budget included the following assumptions about funding and use of reserves:

- Council tax base of 48,147 with an increase of 0.99% applied for 2017/18 billing
- A precept for Adult Social Care was set at 3%
- Business rates growth assumed - £7m, over baseline
- Use of General Reserves Account planned of £3.997m in 2017/18
- Use of Capital Receipts Flexibility included (£1.563m)
- The capital programme assumes use of capital receipts (£7.6m for 2017-18 and £4.4m for 2018-19)
- And external borrowing £43.7m, this was reduced due to re-phasing in year
- The capital programme also included a budget for commercial asset investments of £12m – as part of the Commercial Strategy to generate revenue income (£1m over 3 years).

The Financial Strategy 2017/20 identified risks and opportunities in settings the budget and medium term financial plans, including demand pressures within Adults and Children's social care; achieving full cost recovery for traded services; funding – achieving growth in the tax base and exposure to business rates appeals. Additional resources were factored into the budget plans, including the decision to implement the additional precept for Adult Social Care.

Good track record of effective financial management

The Council's previous years accounts have been approved and signed off by the external auditors as 'unqualified', including the value for money judgement. This position has been supported by examples of good practice and financial management across the council, including:

- Well managed demand within children's and adults social care
- Effective partnership working with Education Sector – use of Dedicated Schools Grant
- Maximised opportunities with Better Care Fund – protection of social care and re-ablement services
- Successful bid for Transformation Challenge Fund to enable Shared Service to be established with North East Lincolnshire Council
- Prior to 2017/18, levels of services were maintained within a budget set with no inflationary increase to council tax

- Successful bids for external funding – LEP (Humber and Lincolnshire), Schools Re-building, Early Years, HCA
- Evidence of utilising procurement to achieve best value from contracts
- Introduction of local lottery as part of sustainability plans – switch council resources for community grants to lotto proceeds.

Review of outturn position

Service budgets are monitored on a regular basis throughout the year, and a Council level budget position is collated quarterly. The latest approved revenue and capital budget and outturn for 2017/18 will be reported to Cabinet in June 2018. The outturn shows a projected net revenue spend of £129.7m against a budget of £131.1m. A review of the original plan for capital receipts flexibility identified spend that can be funded through this flexibility contributing to the positive outturn position. The Council overall has achieved its objectives and levels of performance and quality whilst utilising £1.1m less than budgeted. Other actions included ongoing management of vacancies and non-essential spend across services.
The profile of the council's expenditure for 2017/18 has been fairly consistent throughout the year, with cost pressures in key areas highlighted at the start of the year. Close monitoring and mitigating actions have been completed, whilst also having an awareness of where the offsetting savings have been executed to ensure an overall balanced position was maintained and to ensure longer term sustainability. Most services spent within budget, with action being taken to contain increasing cost pressures and the majority of the £12.1m planned savings for 2017/18 were delivered.

The costs of capital financing was lower than planned, due to effective delivery of Treasury Management, capital re-phasing and appropriate use of short-term borrowing and deferring long-term borrowing. The savings are shown within the central and technical budgets in the following table.

The Council continues to manage cash balances and debt in line with the approved Treasury Management and Investment Strategy with the Council spending less on debt interest during the year and lowering the capital financing ratio when compared to the net revenue budget. A mid-year update report was presented to Full Council in December 2017

2017/18 REVENUE OUTTURN POSITION	**Budget £000's**	**Actual £000's**	**Variance £000's**
Business Development	4,008	4,205	197
Governance & Partnerships	6,550	6,415	(135)
Operations	29,210	30,497	1,287
Learning Skills & Culture	8,807	9,615	808
Children & Community Resilience	14,723	15,619	896
Adults & Community Wellbeing	40,007	39,848	(159)
Public Health	4,263	3,543	(720)
SERVICE EXPENDITURE	**107,568**	**109,742**	**2,174**
Central & Technical Budgets	23,522	19,984	(3,538)
TOTAL EXPENDITURE	**131,090**	**129,726**	**(1,364)**
Externally Generated Funding:			
Council Tax	(65,798)	(65,897)	(99)
Business Rates	(38,045)	(40,036)	(1,991)
Revenue Support Grant	(14,291)	(14,291)	(0)
Improved Better Care Fund	(3,703)	(3,703)	0
New Homes Bonus	(2,009)	(2,083)	(74)
Other Grants	(1,684)	(1,788)	(104)
	(125,530)	**(127,798)**	**(2,268)**
Other Funding:			
Use of Reserves	(3,997)	849	4,846
Capital Receipt Flexibility	(1,563)	(3,852)	(2,289)
	(5,560)	**(3,003)**	**2,557**
TOTAL FUNDING	**(131,090)**	**(130,801)**	**289**
Use of (+) / Contribution to (-) Reserves	**-**	**(1,075)**	**(1,075)**

Reconciliation to the Expenditure Funding Analysis

Most of the numbers from the above Outturn table can be directly read across to the Expenditure Funding Analysis. The following tables show how the figure for Governance and Partnerships and Funding have been derived in the equivalent column in the EFA:-

Outturn Heading	£'000s
Governance & Partnerships	6,415
Central & Technical Budgets	19,984
Use of Reserves	849
Capital Receipt Flexibility	(3,852)
Governance & Partnerships in the E.F.A.	**23,396**

Outturn Heading	£'000s
Externally Generated Funding:	(127,798)
Contribution to Reserves	1,075
Funding in the E.F.A.	**(126,723)**

Detailed Analysis

The key budget pressures were anticipated and action taken to improve the position. Analysis is provided below:

There has been an increase in the level of waste tonnages collected and disposed of, and combined with the impact of provider failure in last financial year, the cost of waste disposal far exceeded planned budget. Procurement for a new provider was undertaken during the year and a new contract is now in place and the budgets have been adjusted accordingly for the forthcoming year. There is an ongoing focus to implement demand management approaches to reduce the level of waste being presented.

One of the savings identified as being challenging to achieve was within Transport provision. A comprehensive review has been concluded in order to inform the longer term options for sustainable public transport provision.

Demand pressures across Adult Services and Children's services were contained within budgets overall. Adult services have effectively managed need and have achieved significant efficiencies, whilst making a significant contribution to Health and Social Care integration and maintaining low levels of delayed discharge from hospital. Children's services have experienced some of the nationally recognised operational issues including an increase in the number of children in care, cost of bespoke placements to meet complex needs, ensuring practice standards and caseloads. Targeted family support services (included in Public Health outturn) have achieved efficiencies in order that budgets are contained overall.

Customer, library and leisure budgets included an accumulation of income targets. The service has been extensively re-modelled with a new management structure enabling a new approach to gaining market share, a more structured approach to fee setting and plans in place to achieve self-sustainability at venues such as Normanby Hall. As a result the cost pressure identified at the start of the year has been reduced by 40%. The budgets were adjusted to reflect the implementation of the plans into the future at a more realistic scale of change.

During the year the council reviewed its policy on Minimum Revenue Provision charges. This is a statutory charge to revenue to reflect the cost of borrowing to support the capital programme. The Council does have some flexibility in how it calculates the charge as long as it remains prudent. The charge is made up of two elements and following the review the calculation method for one of the elements was changed. This, combined with reduced interest costs, resulted in a saving in the Central and Technical budgets.

The Council made use of the Government's Capital Receipts Flexibility scheme in 2017/18. It capitalised eligible spending on transformational activities that were aimed at generating long term savings e.g. costs of service transformation. The saving generated in-year was the result of capitalising eligible prior year costs as an alternative to using revenue reserves and in light of the level of receipts generated in year.

Close monitoring of the Capital Programme enabled early identification of re-profiling and informed borrowing strategy decisions. This created an in year underspend to offset service delivery cost pressures.

The approved capital programme included a significant level of funding from capital receipts. To ensure achievement of the receipts, robust monitoring was in place throughout the year with a range of disposal methods utilised.

Capital outturn shows that 96.5% (£47.7m) of the revised programme was spent with requests for net re-phasing to a later financial year of £3.4m.

2017/18 CAPITAL INVESTMENT OUTTURN	Budget 2017/18 £000's	Actual 2017/18 £000's	Variance £000's	Re-phasing £000's
Outcome Area:				
Safe	3,182	3,066	(116)	(143)
Well	9,716	8,844	(872)	(892)
Prosperous	17,559	16,207	(1,351)	(1,392)
Connected	13,134	12,668	(466)	(318)
Council Transformation				
Work well - A Digitally Efficient Council	1,220	649	(571)	(571)
Work well - Council Offices - Town Centre Regeneration	1,095	1,058	(37)	(37)
Best Assets - Communities' Buildings Investment	755	712	(43)	29
Best Assets - Efficient Fleet	630	600	(30)	(30)
Capital Receipts Flexibility	2,070	3,852	1,782	-
TOTAL	**49,361**	**47,656**	**(1,704)**	**(3,354)**
Funded By:				
Grants & External Funding	21,771	20,625	(1,146)	(938)
Internal Funding:				
Revenue Funding	117	209	92	-
External Borrowing	23,458	19,680	(3,778)	(5,543)
Capital Receipts	3,370	7,025	3,655	3,634
Property Trading Account Receipts	644	117	(527)	(506)
TOTAL	**49,361**	**47,656**	**(1,705)**	**(3,354)**

Recent Achievements and Performance

In addition to positive financial performance during 2017/18, the council has continued its excellent track record in delivering high performing and value for money services. Recent achievements include:

Safe

- Children's services rated by Ofsted as Outstanding
- 100% of home care providers were rated 'good'
- 83% of care homes rated 'good' or better
- Improvement in adoption timescales, performing better than national and statistical neighbour averages

Well

- Our work with the NHS was recognised by CQC as being, the best in the Humber region and in the top 20 of all councils
- Three designated parks have internationally recognised green flag award status
- Almost half of all waste recycled, with 99.9% of bins collected
- Finalist in national awards for the best team-Street cleaning and street scene

Prosperous

- 9 out 10 children attend a local school rated as good or outstanding
- In the top 25% of all local authorities in England and 1st out of 11 when compared to our statistical neighbours for pupil progress between Key Stage 2 and Key Stage 4
- Businesses trading for more than 10 years is higher than regional and national average
- 64.8% of students achieve a 9-4 pass in the new GCSE system

Connected

- 98% of households have access to superfast broadband
- On demand CallConnect transport service introduced, connecting rural communities
- The proportion of young people that voted in Make Your Mark 2017 ballot, ranked in Top 10 nationally
- Accessibility of our website rated maximum 4 stars in a national assessment

Financial Outlook

Medium Term Financial Strategy

To ensure the continuity of local services the Council must achieve a sustainable budget position. That is where, over the medium term, the cost of services is matched by an equal level of funding. The balance of funding has, and continues to, move from central funding by Government to local sources of funding.

The Councils future spending plans have been reviewed alongside its transformation programme, with a clear focus being placed upon the future sustainability. Transforming the council focuses on how we do business internally, with partners and the public and how we shape and design our service offer to residents whilst ensuring high quality, excellent outcomes and value for money all within the organisational model of enabling.

The council aims to achieve a sustainable Budget by:

- Targeting growth in the local economy which supports population and business development and benefits the local tax base; increasing revenues from new businesses, support existing business to prosper, grow and diversify; increasing council tax base by enabling housing growth in the area to meet the needs of existing communities and support population growth;
- Taking full advantage of opportunities to maximise local funding through the 100% NNDR Pilot and other local partnership working
- Continuing its track record of managing need and therefore mitigating pressures in particular in adult and children's services and extending demand management principles across waste services
- Ensuring we are competitive within the market, expanding customer base and achieving full cost recovery on chargeable services; application of operating principles and review of operating models.
- Applying Organisational Development to improve organisational effectiveness by a focus on the organisation's culture.
- Designing services around people and need, applying the organisational model
- Enabling community capacity through developing and facilitating volunteering opportunities
- Exploring alternative delivery models in order to maximise business productivity, where there is an opportunity to benefit the council and residents
- Strategic planning for the use of operational buildings and appraising community assets to develop community and locality level business plans for reorganising council assets.
- Making best use of technology to enable efficient systems that improve productivity as well as enhancing customer experience and outcomes.
- Continuously reviewing inflation and pay assumptions to identify best practice opportunities to manage costs down.

National Context

The Ministry of Housing, Communities and Local Government (MHCLG) have committed to rolling out 75% business rate retention across all Councils by 2020/21. This would see Council's retain a greater share of business rates generated locally, in exchange for receiving less grant from Government. It also means that the risk and reward incentive of business rates is sharpened, with stable grant income to be replaced by potentially volatile business rates income.

MHCLG are still working up the technical details of how the scheme will work, and have created a series of temporary 100% retention pilots (of which North Lincolnshire is included within the Greater Lincolnshire pilot) from which they will analyse the findings and use this to inform the national 75% business rate retention scheme. There is currently significant uncertainty as to how this will change the funding position for North Lincolnshire Council, and whether it would benefit the Council financially or not.

In addition, MHCLG are also progressing with a wider review of Local Government finance, focussing specifically on creating a new funding model that better takes into account the relative needs of individual local authorities. The Fair Funding review acknowledges that the world in which we live is changing, and this has a big impact on Local Government, specifically leading to changes in the demand for and delivery of the many different services provided.

The current system for allocating funding across Local Government has been in place for over a decade, based on the relative needs as they existed then. When a new evidence based needs formula is established, it could mean that North Lincolnshire Council will be deemed to have more need than it was previously deemed to have, and on the flipside it could be deemed to have less need. Both scenarios would cause a change to the Council's funding base, up

or down. MHCLG are aiming to implement a new system in 2020/21, which also coincides with the roll out of 75% business rate retention.

There is an inherent risk that the Council could suffer from both structural changes to Local Government finance, and must have enough resilience to withstand this. It is also possible that the Council could benefit under one or both changes, although it is too early in the process to be have any indication of the outcome. The council ensures it participates in all Government consultations on the proposed changes to the funding regimes.

The Government has confirmed that the next business rates revaluation will take effect from April 2021, and will happen every three years thereafter. Whilst revaluations are legally required to be cost neutral at a national level, it can have an impact on North Lincolnshire businesses. The last revaluation took effect from April 2017, and resulted in the total rateable value of North Lincolnshire reducing from £208m to £195m. As the multiplier was reduced because of the total rateable value increasing at a national level, the 2017 revaluation was overall positive for North Lincolnshire. However, this provides no basis of indication for future revaluations.

In recognition of the cost of care pressures facing local government, councils were given additional powers to raise a precept for Adult Social Care. North Lincolnshire have implemented this to raise additional revenue funds. Additionally, the Improved Better Care Fund was increased. These were both temporary measures, with longer term funding solutions being considered as part of a Green Paper on Social Care for older people, due to be released in Summer 2018.. This paper will propose wide ranging reforms to the current system. The paper sets out seven key principles that will guide Government thinking in preparing this paper:

- quality and safety embedded in service provision
- whole-person, integrated care with the NHS and social care systems operating as one
- the highest possible control given to those receiving support
- a valued workforce
- better practical support for families and carers
- a sustainable funding model for social care supported by a diverse, vibrant and stable market
- greater security for all – for those born or developing a care need early in life and for those entering old age who do not know what their future care needs may be

The paper will cover a number of issues these include:-

- creating a sustainable care system
- reforms to how people pay for care including introducing a cap on lifetime care bills, dealing with the issues raised in the Competition and Markets Authority's care home market report
- market stabilisation
- integration of health and social care
- holistic and person-centred
- focus on the role of carers
- workforce
- technological developments
- domestic and international comparisons

The paper is likely to create a number of challenges and opportunities for the Council and will probably change the way social care is delivered and funded. The council does already work closely with the NHS and so is well placed to manage the integration of health and social care.

Conclusion

North Lincolnshire Council is a high performing and ambitious Council. It has a clear set of outcomes and is transforming its services and processes to support these outcomes. The environment in which the Council operates has seen major changes over the past decade and this will continue for the foreseeable future. These changes bring with them their own set of opportunities and risks. The Council is adopting a flexible and adaptable approach to maximise the potential from the opportunities and manage the risks. At the same time setting a clear strategic intent to become financially sustainable to ensure the vital services it provides continue. The Council's financial performance in 2017/18 provides a firm financial basis for the transformational changes to come. The Council was able to contain its spending well within its overall funding envelope and was able to make a moderate contribution to its reserves and maintain its general balances.

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

The Director: Governance and Partnerships' Responsibilities

The Director: Governance and Partnerships 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: Governance and Partnerships 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.

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

R McIntyre

R McIntyre
Director: Governance and Partnerships
Date of certification: 31st May 2018

Council Approval of Statement of Accounts

Audit Committee
Date of approval:

Certificate

Expenditure and Funding Analysis

Restated * 2016/2017				2017/2018		
Net Expenditure Chargeable to the General Fund Balances £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000		Net Expenditure Chargeable to the General Fund Balances £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000
4,855	3,690	8,545	Business Development	4,205	7,790	11,995
22,980	(11,639)	11,341	Governance and Partnerships	23,397	(12,073)	11,324
30,893	12,808	43,701	Operations	30,496	16,089	46,585
11,050	3,253	14,303	Learning, Skills and Culture	9,615	10,344	19,959
15,629	129	15,758	Children and Community Resilience	15,619	3,278	18,897
35,189	14,024	49,213	Adult and Community Wellbeing	39,848	7,250	47,098
3,804	888	4,692	Public Health	3,543	759	4,302
0	1,006	1,006	Schools	0	3,281	3,281
124,400	**24,159**	**148,559**	**Net Cost of Services**	**126,723**	**36,718**	**163,441**
(124,400)	**(36,455)**	**(160,855)**	Other Income and Expenditure	(126,723)	(7,844)	(134,567)
0	**(12,296)**	**(12,296)**	**(Surplus) or Deficit**	**0**	**28,874**	**28,874**
6,858			**Opening General Fund Balance**	6,858		
0			(Surplus) or Deficit on General Fund Balance in Year	0		
6,858			**Closing General Fund Balance**	**6,858**		

* 2016/2017 have been restated due to a management restructure within the council

Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves of the Council £000
Balance as at 31 March 2016	**6,858**	**35,387**	**0**	**5,112**	**47,357**	**67,742**	**115,099**
Movement in reserves during 2016/2017							
Total Comprehensive Income and Expenditure	**12,296**	**0**	**0**	**0**	**12,296**	**11,275**	**23,571**
Adjustments from income and expenditure charged under the accounting basis to the funding basis	(19,806)	0	1,791	3	**(18,012)**	18,012	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(7,510)**	**0**	**1,791**	**3**	**(5,716)**	**29,287**	**23,571**
Transfer to or from Earmarked Reserves	7,510	(7,510)	0	0	0	0	0
Increase/(Decrease) in 2016/2017	**0**	**(7,510)**	**1,791**	**3**	**(5,716)**	**29,287**	**23,571**
Balance Sheet as at 31 March 2017	**6,858**	**27,877**	**1,791**	**5,115**	**41,641**	**97,029**	**138,670**
Movement in reserves during 2017/2018							
Total Comprehensive Income and Expenditure	**(28,874)**	**0**	**0**	**0**	**(28,874)**	**47,034**	**18,160**
Adjustments from income and expenditure charged under the accounting basis to the funding basis	31,486	0	(669)	4,555	**35,372**	(35,372)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**2,612**	**0**	**(669)**	**4,555**	**6,498**	**11,662**	**18,160**
Transfer to or from Earmarked Reserves	(2,612)	2,612	0	0	0	0	0
Increase/(Decrease) in 2017/2018	**0**	**2,612**	**(669)**	**4,555**	**6,498**	**11,662**	**18,160**
Balance Sheet as at 31 March 2018	**6,858**	**30,489**	**1,122**	**9,670**	**48,139**	**108,691**	**156,830**

Comprehensive Income and Expenditure Statement

Restated * 2016/2017 £000 Expenditure	£000 Income	£000 Net		Notes	2017/2018 £000 Expenditure	£000 Income	£000 Net
9,832	(1,287)	8,545	Business Development		12,348	(353)	11,995
62,136	(50,795)	11,341	Governance and Partnerships		63,802	(52,478)	11,324
51,165	(7,464)	43,701	Operations		54,758	(8,173)	46,585
42,886	(28,583)	14,303	Learning, Skills and Culture		50,227	(30,268)	19,959
20,190	(4,432)	15,758	Children and Community Resilience		23,143	(4,246)	18,897
71,176	(21,963)	49,213	Adult and Community Wellbeing		66,201	(19,103)	47,098
14,140	(9,448)	4,692	Public Health		14,158	(9,856)	4,302
66,465	(65,459)	1,006	Schools		69,731	(66,450)	3,281
337,990	**(189,431)**	**148,559**	**Cost of Services**		**354,368**	**(190,927)**	**163,441**
3,981	0	3,981	Other Operating Expenditure	**11**	4,606	0	4,606
29,669	(21,409)	8,260	Financing and Investment Income and Expenditure	**12**	28,224	(21,645)	6,579
0	(173,096)	(173,096)	Taxation and Non-Specific Grant Income and Expenditure	**13**	0	(145,752)	(145,752)
371,640	**(383,936)**	**(12,296)**	**(Surplus) or Deficit on Provision of Services**		**387,198**	**(358,324)**	**28,874**
		(11,540)	Surplus or deficit on revaluation of Property, Plant and Equipment	**14**			(28,448)
		4,707	Impairment losses on non-current assets charged to the Revaluation Reserve	**14**			401
		(4,442)	Re-measurement of the net defined benefit liability/(asset)	**42**			(18,987)
		(11,275)	**Other Comprehensive Income and Expenditure**				**(47,034)**
		(23,571)	**Total Comprehensive Income and Expenditure**				**(18,160)**

* 2016/2017 have been restated due to a management restructure within the council

Balance Sheet

31st March 2017 £000		Note	31st March 2018 £000
458,877	Property, Plant & Equipment	**14**	501,576
1,039	Heritage Assets	**15**	1,252
53,143	Investment Property	**16**	50,663
753	Intangible Assets	**17**	966
64	Long Term Investments	**18**	64
49	Long Term Debtors	**18**	366
513,925	**Long Term Assets**		**554,887**
366	Inventories		240
31,497	Short Term Debtors	**19**	44,440
3,552	Cash and Cash Equivalents	**20**	15,685
13,586	Assets held for sale	**21**	6,693
49,001	**Current Assets**		**67,058**
(30,065)	Short Term Borrowing	**18**	(33,209)
(25,093)	Short Term Creditors	**22**	(34,048)
(4,221)	Provisions	**23**	(4,566)
(59,379)	**Current Liabilities**		**(71,823)**
(2,027)	Provisions	**23**	(6,156)
(131,547)	Long Term Borrowing	**18**	(156,591)
(231,303)	Other Long Term Liabilities	**42**	(230,545)
(364,877)	**Long Term Liabilities**		**(393,292)**
138,670	**Net Assets**		**156,830**
41,641	Usable Reserves	**24/25**	48,139
97,029	Unusable Reserves	**24/25**	108,691
138,670	**Total Reserves**		**156,830**

Cash Flow Statement

2016/2017 £000		Note	2017/2018 £000
12,296	Net surplus or (deficit) on the provision of services		(28,874)
29,967	Adjustment to surplus or deficit on the provision of services for noncash movements	26	46,414
(13,965)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(29,476)
28,298	Net Cash flows from operating activities		(11,936)
(53,596)	Net Cash flows from Investing Activities	27	(11,061)
28,540	Net Cash flows from Financing Activities	28	35,130
3,242	Net increase or (decrease) in cash and cash equivalents		12,133
310	Cash and cash equivalents at the beginning of the reporting period	20	3,552
3,552	Cash and cash equivalents at the end of the reporting period	20	15,685

Notes to the Accounts

Note 1 Accounting Policies

i. General Principles
The Statement of Accounts summarises the council's transactions for the 2017/2018 financial year and its position at the year-end of 31 March 2018. The council is required to prepare an annual Statement of Accounts by [the Accounts and Audit Regulations 2015 which require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018, supported by International Financial Reporting Standards (IFRS).
The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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

- Revenue from the sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- Revenue from the provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet where individual inventory categories are above £100,000.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. In respect of both capital and revenue transactions, the council operates on the normal accruals concept of income and expenditure above the council's de minimis threshold of £10,000. Exceptions to this policy are:
    - Housing Benefit payments
    - Social services Income for home care
    - Travel and supply teachers
    - Property Trading account Income for commercial properties

These exceptions still mean a full 12 months of income and expenditure are accounted for in a financial year.

iii. Cash and Cash Equivalents
Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.
In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the council's cash management.

iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors
Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.
Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the council's financial position or financial performance.
Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.
Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

v. Charges to Revenue for Non-current Assets
Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

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

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

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

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

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

Termination Benefits
Termination benefits are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the council can no longer withdraw the offer of those benefits or when the council recognises costs for a restructuring.
Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment Benefits
Employees of the council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pension Scheme, administered by East Riding of Yorkshire Council.
- 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 scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The People Service line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. Various lines within the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

The Local Government Pension Scheme

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

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

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

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

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

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

Discretionary Benefits

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

viii. Events After the Reporting Period

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

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

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

ix. Financial Instruments

Financial Liabilities

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

For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.
Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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

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

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.
Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.
Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

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

Civic Regalia and Museum Collection
The asset will be accounted for at the value used for insurance purposes or its fair value as determined by a qualified valuer.

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

xii. Intangible Assets
Expenditure on non-monetary assets that do not have physical substance but are controlled by the council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the council. Internally generated assets are capitalised where it is

demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the council's goods or services.
Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the council can be determined by reference to an active market. In practice, no intangible asset held by the council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.
Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiii. Inventories
Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using recognised formula. The council has set a de minimis value of £100,000, below which inventories are not held on balance sheet.

xiv. Investment Property
Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.
Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.
Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

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.

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

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a 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, in accordance with proper practice.

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 bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The council does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the council. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement. Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV–SH)
- council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except where there is no market for office accommodation, and that are measured at depreciated replacement cost (instant build) as an estimate of current value
- school buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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 and Expenditure Statement.

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

Impairment

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

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

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

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

Depreciation

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

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

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer. Depreciation is charged on vehicles from the point of initial use.
- infrastructure – straight-line allocation over its technically assessed life.

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 (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.
Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.
The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xviii. Provisions, Contingent Liabilities and Contingent Assets
Provisions are made where an event has taken place that gives the council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.
Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.
When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.
Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the council settles the obligation.

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

Contingent Assets
A contingent asset arises where an event has taken place that gives the council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council.
Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xix. Reserves
The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.
Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the council – these reserves are explained in the relevant policies.

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

xxi. Schools
The Code of Practice on Local Authority Accounting in the united Kingdom confirms that the balance of control for local authority maintained schools (ie 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 such as bonds 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.

Note 2 Accounting Standards Issued, Not Adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (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:

- **IFRS 9 Financial Instruments** – which introduces extensive changes to the classification and measurement of financial assets, and a new 'expected credit loss' model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cashflows and business model for holding the assets. There are not expected to be any changes in the measurement of financial assets. Assessment of the council's financial assets does not anticipate any impairment.

- **IFRS 15 Revenue from Contracts with Customers –** presents new requirements for the recognition of revenue based on a control-based revenue recognition model. The council does not have any material revenue streams within the scope of the new standard.

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

- **IAS12 Income Taxes –** (Recognition of Deferred Tax Assets for Unrealised Losses) applies to deferred tax assets related to debt instruments measured at fair value.

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

Note 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The most critical judgement made in the Statement of Accounts is that there remains a high degree of uncertainty about future levels of funding for local government. However, the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the council might be impaired as a result of a need to close facilities and reduce levels of service provision.

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 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.4m if the average useful life of the council's buildings fell by one year.
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.	The assumptions interact in complex ways. During 2017/2018, the council's actuaries advised that the net pension liability had reduced by £0.8m as a result of updating of the assumptions. A sensitivity analysis can be seen in the Defined Benefit Pension Schemes note.
Impairment At 31 March 2018, the council had a balance of sundry debtors of £8.1m. A review of significant balances suggested that an impairment of doubtful debts of £0.9m was appropriate. However it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £0.9m to be set aside as an allowance.
National Non Domestic Rates (NNDR) Provision The council set aside, from its collection fund, £18.5m 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 £9.1m is shown in the Provisions Note.	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 note 14 below.	The council uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties and surplus assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels, occupancy levels and others. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurements.

Note 5 Material Items of Income and Expense

For this council a material item of income and expense would be around £5m or more. There have been no material items of income or expenditure during 2017/2018 that are not already disclosed elsewhere within the accounts.

Note 6 Events After the Balance Sheet Date

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

Note 7 Note to the Expenditure and Funding Analysis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital purposes £000	Net change for the Pensions Adjustments £000	Other Statutory Adjustments £000	2017/2018 Total Adjustments £000
Business Development	6,831	1,436	(477)	7,790
Governance and Partnerships	(3,781)	(265)	(8,027)	(12,073)
Operations	12,047	2,357	1,685	16,089
Learning, Skills and Culture	8,473	1,705	166	10,344
Children and Community Resilience	2,419	1,198	(339)	3,278
Adult and Community Wellbeing	7,263	1,795	(1,808)	7,250
Public Health	468	463	(172)	759
Schools	(115)	3,375	21	3,281
Net Cost of Services	**33,605**	**12,064**	**(8,951)**	**36,718**
Other income and expenditure from the EFA	(27,499)	6,165	13,490	(7,844)
Difference between General Fund surplus or deficit and CIES surplus or deficit on the Provision of Services	**6,106**	**18,229**	**4,539**	**28,874**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital purposes £000	Net change for the Pensions Adjustments £000	Other Statutory Adjustments £000	2016/2017 Total Adjustments £000
Business Development	3,721	267	(298)	3,690
Governance and Partnerships	(5,392)	(964)	(5,283)	(11,639)
Operations	10,607	329	1,872	12,808
Learning, Skills and Culture	2,357	290	606	3,253
Children and Community Resilience	178	258	(307)	129
Adult and Community Wellbeing	11,956	372	1,696	14,024
Public Health	59	93	736	888
Schools	(115)	512	609	1,006
Net Cost of Services	**23,371**	**1,157**	**(369)**	**24,159**
Other income and expenditure from the EFA	(52,851)	7,946	8,450	(36,455)
Difference between General Fund surplus or deficit and CIES surplus or deficit on the Provision of Services	**(29,480)**	**9,103**	**8,081**	**(12,296)**

* 2016/2017 have been restated due to a management restructure within the council

Segmental Income

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

	2017/2018		Restated * 2016/2017	
	Revenue from External Customers £000	Revenues from Transactions with Other Operating Segments of the Authority £000	Revenue from External Customers £000	Revenues from Transactions with Other Operating Segments of the Authority £000
Business Development	(8,669)	(5,711)	(8,951)	(5,445)
Governance and Partnerships	(3,682)	(5,418)	(3,556)	(1,295)
Operations	(6,235)	(10,991)	(6,654)	(11,723)
Learning, Skills and Culture	(6,227)	(2,469)	(5,996)	(2,035)
Children and Community Resilience	(1,476)	(860)	(2,315)	(810)
Adult and Community Wellbeing	(12,443)	(508)	(14,740)	(704)
Public Health	(444)	(16)	(505)	(40)
Schools	(1,581)	(6,132)	(1,474)	(6,011)
Total income analysed on a segmental basis	**(40,757)**	**(32,105)**	**(44,191)**	**(28,063)**

* 2016/2017 have been restated due to a management restructure within the council

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

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

Note 8 Expenditure and Income Analysed by Nature

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

	2017/2018 £000	2016/2017 £000
Expenditure/Income		
Expenditure		
Employee benefits expenses	163,446	153,406
Other services expenses	189,858	183,779
Depreciation, amortisation, impairment	15,658	22,300
Interest payments	5,832	6,207
Precepts and levies	2,711	2,623
(Gain)/Loss on the disposal of assets	1,895	1,358
Other Expenditure (REFCUS)	7,798	1,967
Total expenditure	**387,198**	**371,640**
Income		
Fees, charges and other service income	(41,070)	(43,270)
Interest and investment income	(32)	(23)
Income from council tax, non-domestic rates income	(97,875)	(97,122)
Government grants and contributions	(200,820)	(228,764)
Other Income	(18,527)	(14,757)
Total income	**(358,324)**	**(383,936)**
Surplus or Deficit on the Provision of Services	**28,874**	**(12,296)**

Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations

2017/2018	Usable Reserves			
	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)	18,229			(18,229)
Council tax and NDR (transfers to or from the Collection Fund)	6,966			(6,966)
Holiday pay (transferred to the Accumulated Absences reserve)	183			(183)
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)	23,550			(23,550)
Total Adjustments to Revenue Resources	**48,928**	**0**	**0**	**(48,928)**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(6,166)	6,166		0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	228	(228)		0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	(168)			168
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(4,349)			4,349
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(209)			209
Total Adjustments to Revenue Resources	**(10,664)**	**5,938**	**0**	**4,726**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		(7,141)		7,141
Application of capital grants to finance capital expenditure	(6,778)		4,555	2,223
Cash payments in relation to deferred capital receipts		534		(534)
Total Adjustments to Capital Resources	**(6,778)**	**(6,607)**	**4,555**	**8,830**
Total Adjustments	**31,486**	**(669)**	**4,555**	**(35,372)**

2016/2017	General Fund Balance £000	Usable Reserves 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)	9,103			(9,103)
Council tax and NDR (transfers to or from the Collection Fund)	1,779			(1,779)
Holiday pay (transferred to the Accumulated Absences reserve)	(1,207)			1,207
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)	(18,043)			18,043
Total Adjustments to Revenue Resources	**(8,368)**	**0**	**0**	**8,368**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,866)	1,866		0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	75	(75)		0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	(678)			678
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(5,342)			5,342
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(592)			592
Total Adjustments to Revenue Resources	**(8,403)**	**1,791**	**0**	**6,612**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	0	0		
Application of capital grants to finance capital expenditure	(3,035)		3	3,032
Cash payments in relation to deferred capital receipts		0		0
Total Adjustments to Capital Resources	**(3,035)**	**0**	**3**	**3,032**
Total Adjustments	**(19,806)**	**1,791**	**3**	**18,012**

Note 10 Transfers to/from Earmarked Reserves

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

	2016/2017			2017/2018			
	Balance as at 1 April 2016 £000	Transfers In £000	Transfers Out £000	Balance as at 31 March 2017 £000	Transfers In £000	Transfers Out £000	Balance as at 31 March 2018 £000
General Fund:							
Revenue Support Reserve	10,508	3,741	(1,055)	13,194	1,075	0	14,269
Revenue Grants	10,626	2,173	(6,548)	6,251	3,783	(2,223)	7,811
Public Health	2,202	33	0	2,235	901	(1,319)	1,817
Dedicated Schools Grant	2,858	317	(809)	2,366	1,015	(1,614)	1,767
Schools Delegated Reserve	2,929	0	(1,855)	1,074	605	(44)	1,635
NNDR Smoothing Reserve	0	0	0	0	1,116	0	1,116
Self-Insurance	284	0	0	284	0	0	284
Safety Camera Partnership	1,157	100	0	1,257	0	(988)	269
Property Trading Account	205	61	(9)	257	0	0	257
Legal NLC Elections	0	0	0	0	240	0	240
Scunthorpe Special Expenses	209	34	(37)	206	43	(16)	233
Dedicated Schools Grant-De-delegated	182	0	0	182	0	0	182
ICT Microsoft Enterprise Agreement	0	0	0	0	175	0	175
Commuted Sums	580	145	(439)	286	1	(128)	159
Licensing	0	53	0	53	46	0	99
Community Grants	0	0	0	0	72	0	72
Finance Systems Implementation	0	50	0	50	0	0	50
Shared Service Development	113	0	(38)	75	0	(37)	38
Crematorium Enhancement Fund	4	3	0	7	9	0	16
Organisational Development Programme	0	100	0	100	0	(100)	0
General Carry Forwards	1,898	0	(1,898)	0	0	0	0
Insurance	1,173	0	(1,173)	0	0	0	0
Pumping Stations	186	0	(186)	0	0	0	0
Legal Services Reserve	172	0	(172)	0	0	0	0
Flood Reserve	101	0	(101)	0	0	0	0
Total Earmarked Reserves	**35,387**	**6,810**	**(14,320)**	**27,877**	**9,081**	**(6,469)**	**30,489**

Revenue Support Reserve

This reserve has been set aside to fund specific spending requirements in future years as part of the council's medium term financial plan.

Revenue Grants

This reserve has been set aside to hold the balances of revenue grants where the conditions of use have been met but remain unapplied at year end.

Public Health Grant

This reserve has been set aside to hold the balance of the ring fenced Public Health Grant received, but not yet spent.

Dedicated Schools Grant

This reserve has been set aside to hold the balance of the ring fenced Dedicated Schools Grant, but not yet spent.

Property Trading Account

This reserve is earmarked for use in managing the council's stock of commercial properties and promoting economic growth.

Note 11 Other Operating Expenditure

	2017/2018 £000	2016/2017 £000
Levies	1,298	1,278
Parish council precepts	1,413	1,345
(Gains)/losses on the disposal of non-current assets	1,895	1,358
	4,606	**3,981**

Note 12 Financing and Investment Income and Expenditure

	2017/2018			2016/2017		
	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Interest payable and similar charges	5,832	0	5,832	6,207	0	6,207
Net interest on the net defined benefit liability (asset)	6,166	0	6,166	7,947	0	7,947
Interest receivable and similar income	0	(32)	(32)	0	(23)	(23)
Income and expenditure in relation to investment properties and changes in their fair value	2,011	(8,034)	(6,023)	2,382	(7,595)	(5,213)
Other investment income (see note 29)	14,215	(13,579)	636	13,133	(13,791)	(658)
Total	**28,224**	**(21,645)**	**6,579**	**29,669**	**(21,409)**	**8,260**

Note 13 Taxation and Non-specific Grant Income and Expenditure

Taxation and Non-Specific Grant Income and Expenditure	2017/2018 £000	2016/2017 £000
Council Tax Income	(67,310)	(63,299)
Non Domestic Rates Income and Expenditure	(30,565)	(33,823)
Non-ring-fenced government grants	(24,507)	(26,978)
Capital Grants and Contributions and Donations	(23,370)	(48,996)
Total Taxation and Non-Specific Grant Income and Expenditure	**(145,752)**	**(173,096)**

Note 14 Property, Plant and Equipment

Current Year

	Property, Plant & Equipment (PP&E)									
	Other Land and Buildings £000	Infrastructure Assets £000	Vehicles, Plant & Equipment £000	Community Assets £000	PP&E Under Construction £000	Surplus Assets £000	**Total PP&E £000**	**Investment Properties £000**	**Intangible Assets £000**	**TOTAL £000**
Cost or Valuation										
Balance as at 1 April 2017	**389,888**	**119,236**	**12,244**	**4,107**	**5,318**	**7,942**	**538,735**	**53,158**	**1,044**	**592,937**
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	**0**	**0**	**0**	**0**
Adjusted opening balance	**389,888**	**119,236**	**12,244**	**4,107**	**5,318**	**7,942**	**538,735**	**53,158**	**1,044**	**592,937**
Additions	7,690	14,115	1,211	183	16,004	17	**39,220**	109	**402**	**39,731**
Donations	0	0	0	0	0	0	**0**	0	**0**	**0**
Revaluation increases/decreases to Revaluation Reserve	7,271	0	0	0	0	140	**7,411**	0	**0**	**7,411**
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(16,339)	0	0	0	0	(355)	**(16,694)**	2,511	**0**	**(14,183)**
De-recognition - Disposals	(1,016)	0	(112)	(3)	0	(60)	**(1,191)**	(672)	**(117)**	**(1,980)**
De-recognition - Other	0	0	0	0	0	0	**0**	0	**0**	**0**
Reclassifications & Transfers	3,495	0	0	353	(1,165)	1,306	**3,989**	(3,989)	**0**	**0**
Reclassified to/from Held for Sale	(94)	0	0	(10)	0	4,199	**4,095**	(344)	**0**	**3,751**
Other movements	1	0	0	0	0	0	**1**	(1)	**1**	**1**
Balance as at 31 March 2018	**390,896**	**133,351**	**13,343**	**4,630**	**20,157**	**13,189**	**575,566**	**50,772**	**1,330**	**627,668**
Depreciation and Impairment										
Balance as at 1 April 2017	**(36,697)**	**(35,069)**	**(6,432)**	**(793)**	**(26)**	**(841)**	**(79,858)**	**(15)**	**(291)**	**(80,164)**
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	**0**	**0**	**0**	**0**
Adjusted opening balance	**(36,697)**	**(35,069)**	**(6,432)**	**(793)**	**(26)**	**(841)**	**(79,858)**	**(15)**	**(291)**	**(80,164)**
Depreciation Charge	(11,176)	(7,235)	(1,213)	(146)	0	(5)	**(19,775)**	0	**(190)**	**(19,965)**
Depreciation written out on Revaluation Reserve	20,828	0	0	0	0	0	**20,828**	0	**0**	**20,828**
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	1,554	0	0	0	0	0	**1,554**	15	**0**	**1,569**
Impairment losses/reversals to Revaluation Reserve	(401)	0	0	0	0	0	**(401)**	0	**0**	**(401)**
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	3,179	0	0	0	0	(17)	**3,162**	(109)	**0**	**3,053**
De-recognition - Disposals	402	0	83	0	0	0	**485**	0	**117**	**602**
De-recognition - Other	0	0	0	0	0	0	**0**	0	**0**	**0**
Reclassifications & Transfers	(13)	0	0	(7)	24	11	**15**	0	**0**	**15**
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0	**0**	0	**0**	**0**
Balance as at 31 March 2018	**(22,324)**	**(42,304)**	**(7,562)**	**(946)**	**(2)**	**(852)**	**(73,990)**	**(109)**	**(364)**	**(74,463)**
Net Book Value										
Balance as at 31 March 2018	**368,572**	**91,047**	**5,781**	**3,684**	**20,155**	**12,337**	**501,576**	**50,663**	**966**	**553,205**
Balance as at 31 March 2017	**353,191**	**84,167**	**5,812**	**3,314**	**5,292**	**7,101**	**458,877**	**53,143**	**753**	**512,773**

Comparator Year

	Property, Plant & Equipment (PP&E)									
	Other Land and Buildings £000	Infrastructure Assets £000	Vehicles, Plant & Equipment £000	Community Assets £000	PP&E Under Construction £000	Surplus Assets £000	**Total PP&E £000**	**Investment Properties £000**	**Intangible Assets £000**	**TOTAL £000**
Balance as at 1 April 2016	**346,012**	**108,967**	**12,371**	**3,814**	**4,419**	**16,959**	**492,542**	**45,947**	**903**	**539,392**
Adjustments between cost/value & depreciation/impairment	(2)	1	2	(1)	1	1	**2**	**1**	**0**	**3**
Adjusted opening balance	**346,010**	**108,968**	**12,373**	**3,813**	**4,420**	**16,960**	**492,544**	**45,948**	**903**	**539,395**
Additions	10,884	10,025	1,680	205	4,139	76	**27,009**	258	**271**	**27,538**
Donations	37,500	0	0	0	0	0	**37,500**	0	**0**	**37,500**
Revaluation increases/decreases to Revaluation Reserve	5,600	0	0	(296)	0	(1,007)	**4,297**	0	**0**	**4,297**
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(2,559)	0	0	0	0	(1,838)	**(4,397)**	1,832	**0**	**(2,565)**
De-recognition - Disposals	(1,762)	(258)	(1,809)	0	0	0	**(3,829)**	(1,394)	**(131)**	**(5,354)**
De-recognition - Other	0	0	0	0	0	0	**0**	0	**0**	**0**
Reclassifications & Transfers	(6,605)	500	0	385	(2,987)	2,193	**(6,514)**	6,514	**0**	**0**
Reclassified to/from Held for Sale	820	0	0	0	(254)	(8,442)	**(7,876)**	0	**0**	**(7,876)**
Other movements	0	1	0	0	0	0	**1**	0	**1**	**2**
Balance as at 31 March 2017	**389,888**	**119,236**	**12,244**	**4,107**	**5,318**	**7,942**	**538,735**	**53,158**	**1,044**	**592,937**
Depreciation and Impairment										
Balance as at 1 April 2016	**(25,853)**	**(29,177)**	**(6,955)**	**(661)**	**(26)**	**(2,064)**	**(64,736)**	**0**	**(275)**	**(65,011)**
Adjustments between cost/value & depreciation/impairment	3	0	(2)	1	0	(1)	**1**	**(1)**	**0**	**0**
Adjusted opening balance	**(25,850)**	**(29,177)**	**(6,957)**	**(660)**	**(26)**	**(2,065)**	**(64,735)**	**(1)**	**(275)**	**(65,011)**
Depreciation Charge	(10,594)	(6,149)	(1,252)	(132)	0	(5)	**(18,132)**	0	**(147)**	**(18,279)**
Depreciation written out on Revaluation Reserve	7,290	0	0	0	0	414	**7,704**	0	**0**	**7,704**
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	472	0	0	0	0	16	**488**	160	**0**	**648**
Impairment losses/reversals to Revaluation Reserve	(4,711)	0	0	0	0	4	**(4,707)**	0	**0**	**(4,707)**
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	(4,189)	0	0	(1)	0	16	**(4,174)**	0	**0**	**(4,174)**
De-recognition - Disposals	299	257	1,777	0	0	0	**2,333**	0	**131**	**2,464**
De-recognition - Other	0	0	0	0	0	0	**0**	0	**0**	**0**
Reclassifications & Transfers	0	0	0	0	0	0	**0**	0	**0**	**0**
Eliminated on reclassification to Held for Sale	586	0	0	0	0	779	**1,365**	(174)	**0**	**1,191**
Balance as at 31 March 2017	**(36,697)**	**(35,069)**	**(6,432)**	**(793)**	**(26)**	**(841)**	**(79,858)**	**(15)**	**(291)**	**(80,164)**
Net Book Value										
Balance as at 31 March 2017	**353,191**	**84,167**	**5,812**	**3,314**	**5,292**	**7,101**	**458,877**	**53,143**	**753**	**512,773**
Balance as at 31 March 2016	**320,159**	**79,790**	**5,416**	**3,153**	**4,393**	**14,895**	**427,806**	**45,947**	**628**	**474,381**

Depreciation

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

- Other Land and Buildings – 1–100 years
- Vehicles, Plant, Furniture & Equipment – 1-30 years
- Infrastructure – straight-line allocation over the useful life of the property as estimated by a suitably qualified officer

Capital Commitments

At 31 March 2018, the council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2017/2018 and future years. Of these contracts, those considered to be major contracts are those having outstanding commitments in excess of £1m. As at 31 March 2018, two contracts met this criteria:

- Lincolnshire Lakes Flood Defence - £12m
- Church Square Extension - £3.6m
- North Axholme Sport Centre - £2.4m
- Ongo Office - £1.1m

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 all easements; rights of way, restrictions and other encumbrances have been considered
- that the properties are in good repair unless otherwise stated
- that any services are in good working order or free from defect 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 (5-year rolling programme).

2017/2018 Valuation of PPE	Land and Buildings	Vehicles, Plant & Equipment	Surplus Assets	Total PPE
Carried at historical cost	114,886	5,781	0	120,667
Valued at fair value as at:				
01/04/2017	339,775		2,470	342,245
01/04/2016	2,850		3,368	6,218
01/04/2015	11,243		4,900	16,143
01/04/2014	10,397		1,599	11,996
01/04/2013	4,307			4,307
Total Cost or Valuation	**483,458**	**5,781**	**12,337**	**501,576**

Fair Value Measurement for Surplus Assets and Investment Properties

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

Fair Value Hierarchy

Details of the council's surplus assets and investment properties as at 31 March 2018 are as follows:

Recurring fair value measurements using:	2017/2018 Significant unobservable inputs (Level 3) £000	2017/2018 Fair Value £000	2016/2017 Significant unobservable inputs (Level 3) £000	2016/2017 Fair Value £000
Surplus Assets:				
All Surplus Assets	12,337	12,337	7,101	7,101
Total Surplus Assets	**12,337**	**12,337**	**7,101**	**7,101**
Investment Properties:				
Residential (Market Rental) Properties	0	0	0	0
Office Units	105	105	0	0
Commercial Units	50,558	50,558	53,143	53,143
Total Investment Properties	**50,663**	**50,663**	**53,143**	**53,143**

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 Lincolnshire. Much of the evidence of actual sales comes for this region from North 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 readily available information that indicates that market participants would use different assumptions.

All valuations are normally carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The council's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

The Industrial and commercial units located in the local authority area are valued on an income approach that is based on capitalisation of current rental income and taking into account existing lease terms, any increases at the next review and other lease terms. Rentals and yields are derived from market evidence for similar properties in the local authority area adjusted to reflect each asset. The rental comparables are measured from a mixture of deals on council assets and third party assets. The yields are derived from third party sales and discussions with other agents and the District Valuer.

The agricultural valuations are based on market comparable rents and yields for similar properties in the local authority area taking into account existing lease terms, any increases at the next review and other lease terms.

Rentals and yields are derived from market evidence for similar properties in the local authority area adjusted to reflect each asset. The rental comparables are a mixture of deals on council assets and third party assets. The yields are derived from third party sales and discussions with other agents and the District Valuer. The fair value of the council's investment property is measured annually at each reporting date.
The fair value of the council's Surplus Assets is measured at 5 yearly intervals.
In estimating the fair value of the council's surplus assets and investment properties, the highest and best use of the properties is their current use.

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

Reconciliation of Fair Value Measurements

Assets categorised within Level 3	2017/2018		2016/2017	
	Surplus Assets £000	Investment Properties £000	Surplus Assets £000	Investment Properties £000
Opening Balance	7,101	53,143	14,895	45,947
Reclassifications in at Level 3	5,516	0	2,193	6,514
Reclassifications out of at Level 3	0	(4,334)	(7,663)	(174)
Transfers into Level 3	0	0	0	0
Transfers out of Level 3	0	0	0	0
Total gains [or losses] for the period included in the Surplus or Deficit on the Provision of Services resulting from changes in fair value	(237)	2,417	(2,400)	1,992
Additions	17	109	76	258
Disposals	(60)	(672)	0	(1,394)
Closing Balance	**12,337**	**50,663**	**7,101**	**53,143**

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

Gains or losses arising from changes in the fair value of the investment property 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	2017/2018 £000	Valuation technique used to measure fair value	Unobservable inputs	Sensitivity
Surplus Assets:				
Land	12,202	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	135	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	49,165	market comparison	Rent Growth Vacancy Levels Yields	Significant changes in rental income and rent growth, Vacancy levels or yields will result in a significantly Lower or higher value
Agricultural units	1,498	market comparison	Rent Growth Vacancy Levels Yields	Significant changes in rental income and rent growth, Vacancy levels or yields will result in a significantly Lower or higher value

Note 15 Heritage Assets

	Civic Regalia £000	Museum Collection £000	Total Assets £000
Cost or Valuation			
Balance as At 1 April 2016	159	880	1,039
Movements	0	0	0
Balance as at 31 March 2017	**159**	**880**	**1,039**
Cost or Valuation			
Balance as At 1 April 2017	159	880	1,039
Additions	0	4	4
Revaluations	(66)	275	209
Balance as at 31 March 2018	**93**	**1,159**	**1,252**

Museum Collection
This category includes the exhibits on display and in storage at Scunthorpe Museum and Normanby Hall.

Civic Regalia
This category includes a variety of items including items held by the council's predecessors Scunthorpe and Glanford Borough Councils.

Note 16 Investment Properties

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

Income and Expenditure from Investment Properties

	2017/2018 £000	2016/2017 £000
Rental income from investment property	(4,392)	(4,066)
Direct operating expenses arising from investment property	1,339	988
Net (Gain)/Loss	**(3,053)**	**(3,078)**

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 but there are some restrictions on the council's right to the proceeds of disposal due to the conditions of grant funding. The council has no contractual obligations to purchase, construct or develop investment property or on repairs, maintenance or enhancement.

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

	2017/2018 £000	2016/2017 £000
Balance at start of the year	53,143	45,947
Additions:		
- Purchases	0	258
- Construction	0	0
- Subsequent expenditure	109	0
Disposals	(672)	(1,394)
Net (gains)/losses from fair value adjustments	2,417	1,992
Transfers:		
- to/from Assets Held for Sale	(344)	777
- to/from Property, Plant and Equipment	(3,989)	5,563
Other changes	(1)	0
Balance at end of the year	**50,663**	**53,143**

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:

- Client access Licences – 18 years
- Microsoft office Licences – 10 years
- Electric Document management – 5 years
- Carefirst – 5 years

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £190k charged to revenue in 2017/2018 was charged to Adult and Community Wellbeing (£35k) and Business Development (£155k) in the Cost of Services.

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

Note 18 Financial Instruments

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

	Long-term		Current	
	2017/2018 £000	2016/2017 £000	2017/2018 £000	2016/2017 £000
Investments				
Unquoted equity investment at cost	64	64	0	0
Total investments	**64**	**64**	**0**	**0**
Debtors				
Loans and receivables	366	49	35	350
Financial assets carried at contract amounts	0	0	20,378	17,431
Total Debtors	**366**	**49**	**20,413**	**17,781**
Borrowings				
Financial liabilities at amortised cost	156,591	131,547	33,209	30,065
Total borrowings	**156,591**	**131,547**	**33,209**	**30,065**
Creditors				
Financial liabilities carried at contract amount	0	0	34,048	25,093
Total creditors	**0**	**0**	**34,048**	**25,093**

Amounts relating to Financial Instruments recognised in the Comprehensive Income and Expenditure Account:

	2017/2018			2016/2017		
	Financial Liabilities Liabilities measured at amortised cost £000	Financial Assets Available-for-sale assets £000	Total £000	Financial Liabilities Liabilities measured at amortised cost £000	Financial Assets Available-for-sale assets £000	Total £000
Interest expense	5,832	0	**5,832**	6,207	0	**6,207**
Impairment losses	0	0	**0**	0	0	**0**
Total expense in Surplus or Deficit on the Provision of Services	**5,832**	**0**	**5,832**	**6,207**	**0**	**6,207**
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	0	0	**0**	0	0	**0**
Surplus/(deficit) arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**0**	**0**	**0**	**0**	**0**	**0**
Net gain/(loss) for the year	**5,832**	**0**	**5,832**	**6,207**	**0**	**6,207**

Fair Values of Financial Assets and Financial Liabilities

Financial liabilities and financial assets, represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated ranges of interest rates at 31 March 2017 of 1.03% to 10.63% for loans from the PWLB and 9.69% to 9.94% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- No early repayment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- 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.

	2017/2018		2016/2017	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities:				
PWLB	146,763	184,409	140,959	184,238
Bonds	0	0	3,500	3,500
Other Borrowing	43,037	43,888	17,153	17,153
Total	**189,800**	**228,297**	**161,612**	**204,891**

Fair value hierarchy:

Recurring Fair Value Measurements using:	Quoted prices in active markets for identical assets / liabilities (level 1) £000	Other significant observable inputs (level 2) £000	Significant unobservable inputs (level 3) £000	Total £000
	2017/2018			
Financial Liabilities				
Financial liabilities held at amortised cost:				
PWLB	184,409	0	0	**184,409**
Bonds	0	0	0	**0**
Other Borrowing	43,888	0	0	**43,888**
Total	**228,297**	**0**	**0**	**228,297**

Comparator year

Recurring Fair Value Measurements using:	Quoted prices in active markets for identical assets / liabilities (level 1) £000	Other significant observable inputs (level 2) £000	Significant unobservable inputs (level 3) £000	Total £000
	2016/2017			
Financial Liabilities				
Financial liabilities held at amortised cost:				
PWLB	184,238	0	0	**184,238**
Bonds	0	3,500	0	**3,500**
Other Borrowing	17,153	0	0	**17,153**
Total	**201,391**	**3,500**	**0**	**204,891**

Note 19 Debtors

	Long term debtors 2017/2018 £000	Long term debtors 2016/2017 £000	Short term debtors 2017/2018 £000	Short term debtors 2016/2017 £000
Central Government Bodies	0	0	4,717	2,095
Other Local Authorities	0	0	1,796	1,696
NHS Bodies	0	0	2,422	4,322
Other entities and individuals	0	0	12,438	10,511
Prepayments	0	0	1,124	975
Impairment of loans and receivables	0	0	(2,119)	(2,168)
Loans and Advances	366	49	35	350
Total of Financial Instruments	**366**	**49**	**20,413**	**17,781**
NDR & Council Tax	0	0	20,620	11,381
Value Added Tax	0	0	3,407	2,335
Non-Financials Instruments	**0**	**0**	**24,027**	**13,716**
	366	**49**	**44,440**	**31,497**

Note 20 Cash and Cash Equivalents

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

	2017/2018 £000	2016/2017 £000
Cash and Bank balances	(1,211)	(4,040)
Short Term Investments	16,896	7,592
Total	**15,685**	**3,552**

Note 21 Assets Held for Sale

These assets are being actively marketed for sale:

	2017/2018 £000	2016/2017 £000
Balance outstanding at start of year	**13,586**	**5,919**
Additions	122	133
Transferred from Non-Current Assets during year:		
- Property Plant and Equipment	1,135	7,508
Revaluation losses	0	0
Revaluation gains	1,566	1,790
Impairment gains/losses to revenue	1,254	153
Impairment gains/losses to revaluation reserve	0	(461)
Assets declassified as held for sale to PPE	(4,900)	(822)
Assets sold	(6,070)	(634)
Balance outstanding at year-end	**6,693**	**13,586**

Note 22 Creditors

These are amounts owed by the council in the next twelve months:

Short Term Creditors	2017/2018 £000	2016/2017 £000
Central government bodies	3,939	3,924
Other local authorities	592	612
NHS bodies	645	893
NNDR & Council Tax	16,797	7,568
Accumulated Absences	2,344	2,161
Receipts in Advance	1,012	1,172
Bodies external to general government	8,719	8,763
Total Short Term Creditors	**34,048**	**25,093**

Note 23 Provisions

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

Current Year

	Balance as at 1 April 2017 £000	Increase in provision during year £000	Utilised during year £000	Unwinding of discount £000	Balance as at 31 March 2018 £000	Estimated to be settled: Current Provision £000	Long Term Provision £000
NNDR Appeals	4,829	7,933	(3,674)	0	9,088	3,500	5,588
Insurance Claims	1,324	627	(403)	0	1,548	1,039	509
Municipal Mutual	59	0	0	0	59	0	59
Other	36	0	(9)	0	27	27	0
	6,248	**8,560**	**(4,086)**	**0**	**10,722**	**4,566**	**6,156**

Comparator Year

	Balance as at 1 April 2016 £000	Increase in provision during year £000	Utilised during year £000	Unwinding of discount £000	Balance as at 31 March 2017 £000	Estimated to be settled: Current Provision £000	Long Term Provision £000
NNDR Appeals	3,645	3,301	(2,117)	0	4,829	3,234	1,595
Insurance Claims	1,394	543	(613)	0	1,324	951	373
Municipal Mutual	59	0	0	0	59	0	59
Other	18	18	0	0	36	36	0
	5,116	**3,862**	**(2,730)**	**0**	**6,248**	**4,221**	**2,027**

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). The figure of £9.09m is the council's share of the full £18.5m appeals provision made from the collection fund.

Insurance Claims

This provision has been set aside to meet the estimated costs of current insurance claims that will not be met by the council's insurance policies.

Municipal Mutual

This provision was set aside to meet the cost of a payment levied by the administrators of Municipal Mutual Insurance. An initial levy payment was made in 2012/2013. The provision has been maintained to cover the costs of any further levy payments.

Other

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

Note 24 Usable Reserves

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

Note 25 Unusable Reserves

Unusable Reserves

	2017/2018 £000	2016/2017 £000
Capital Adjustment Account	220,655	223,421
Revaluation Reserve	129,291	108,106
Deferred Capital Receipts Reserve	312	678
Pensions Reserve	(230,545)	(231,303)
Collection Fund Adjustment Account	(8,677)	(1,711)
Accumulated Compensated Absences Adjustment Account	(2,345)	(2,162)
Total Unusable Reserves	**108,691**	**97,029**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

	2017/2018		2016/2017	
	£000	£000	£000	£000
Balance at 1 April		**223,421**		**190,502**
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	(15,468)		(22,153)	
Revaluation losses on Property, Plant and Equipment	(13,465)		(2,119)	
Amortisation of Intangible Assets	(190)		(147)	
Revenue expenditure funded from capital under statute	(5,988)		(1,967)	
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	(7,448)		(3,524)	
		(42,559)		**(29,910)**
Adjusting amounts written out of the Revaluation Reserve		6,862		5,910
Net written out amount of the cost of non-current assets consumed in the year		**(35,697)**		**(24,000)**
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	7,141		0	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	16,592		8,461	
Application of grants to capital financing from the Capital Grants Unapplied Account	2,223		3,032	
Statutory provision for the financing of capital investment charged against the General Fund balance	4,349		5,342	
Capital expenditure charged against the General Fund balance	209		592	
		30,514		**17,427**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		2,417		1,992
Donated Asset credited to the Comprehensive Income and Expenditure Statement		0		37,500
Balance at 31 March		**220,655**		**223,421**

Revaluation Reserve

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

The balance is reduced when assets with accumulated gains are:

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

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

	2017/2018 £000	2016/2017 £000
Balance at 1 April	108,106	107,183
Revaluation of assets	28,047	6,833
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**28,047**	**6,833**
Difference between fair value depreciation and historical cost depreciation	(3,865)	(4,811)
Revaluation balances on assets scrapped or disposed of	(2,997)	(1,099)
Amount written off to the Capital Adjustment Account	**(6,862)**	**(5,910)**
Balance at 31 March	**129,291**	**108,106**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement takes place, amounts are transferred to the Capital Receipts Reserve.

	2017/2018 £000	2016/2017 £000
Balance at 1 April	**678**	**0**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	168	678
Transfer to the Capital Receipts Reserve upon receipt of cash	(534)	0
Balance at 31 March	**312**	**678**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed, as the council makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2017/2018 £000	2016/2017 £000
Balance at 1 April	**(231,303)**	**(226,642)**
Re-measurements of the net defined benefit liability/(asset)	18,987	4,442
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	(35,768)	(27,446)
Employers pensions contributions and direct payments to pensioners payable in the year	17,539	18,343
Balance at 31 March	**(230,545)**	**(231,303)**

Collection Fund Adjustment Account

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

	2017/2018 £000	2016/2017 £000
Balance at 1 April	(1,711)	68
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	(6,966)	(1,779)
Balance at 31 March	**(8,677)**	**(1,711)**

Accumulating Compensated Absences Adjustment Account

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

	2017/2018 £000	2016/2017 £000
Balance at 1 April	**(2,162)**	**(3,369)**
Settlement or cancellation of accrual made at the end of the preceding year	2,162	3,369
Amounts accrued at the end of the current year	(2,345)	(2,162)
Balance at 31 March	**(2,345)**	**(2,162)**

Note 26 Cashflow from Operating Activities

The cash flows for operating activities include the following items:

	2017/2018 £000	2016/2017 £000
Interest Paid	(4,137)	(6,187)
Interest Received	32	54

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

	2017/2018 £000	2016/2017 £000
Adjustment to surplus or deficit on the provision of services for noncash movements		
Depreciation	15,468	22,153
Impairment & downward valuations	13,465	2,119
Amortisation	190	147
Increase/(Decrease) in impairment for bad debts	(49)	191
(Increase)/Decrease in Inventories	126	(6)
(Increase)/Decrease in Debtors	(11,054)	(5,487)
Increase/(Decrease) in Creditors	534	182
Movement in pension liability	18,229	9,103
Carrying amount of non-current assets sold	7,448	2,425
Movement in provisions	4,474	1,132
Movement in value of investments properties	(2,417)	(1,992)
Adjust for Impairment reduction on cash equivalents		
	46,414	**29,967**
Adjust 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	(6,106)	(2,469)
Capital grants include in Taxation & non-specific grant income	(23,370)	(11,496)
	(29,476)	**(13,965)**

Note 27 Cashflow from Investing Activities

The surplus or deficit on the provision of services has been adjusted for the following items that are investing activities:

	2017/2018 £000	2016/2017 £000
Purchase of PP&E, investment property and intangible assets	(39,188)	(68,798)
Purchase of Long Term Investments	0	0
Proceeds from the sale of PP&E, investment property and intangible assets	4,757	3,706
Capital Grants and Contributions Received	23,370	11,496
Other Receipts from Investing Activities	0	0
Net Cash flows from Investing Activities	**(11,061)**	**(53,596)**

Note 28 Cashflow from Financing Activities

The surplus or deficit on the provision of services has been adjusted for the following items that are financing activities:

	2017/2018 £000	2016/2017 £000
Appropriation to/from Collection Fund Adjustment Account	6,966	1,778
Cash Receipts of short and long term borrowing	83,906	94,000
Repayment of Short and Long Term Borrowing	(57,413)	(65,908)
Council Tax and NNDR Adjustments	1,671	(1,330)
Net Cash flows from Financing Activities	**35,130**	**28,540**

Note 29 Trading Operations

Details of the council's significant Trading Operations are as follows:

	2017/2018			2016/2017		
	Expenditure £000	Income £000	Net Expenditure/ (Income) £000	Expenditure £000	Income £000	Net Expenditure/ (Income) £000
Fleet Management & Maintenance	4,883	(5,741)	**(858)**	4,693	(5,792)	**(1,099)**
Catering	6,117	(5,268)	**849**	5,827	(5,483)	**344**
Markets	529	(486)	**43**	483	(475)	**8**
Building Control	545	(419)	**126**	360	(413)	**(53)**
Building Cleaning/ Maintenance	2,141	(1,665)	**476**	1,770	(1,628)	**142**
Total	**14,215**	**(13,579)**	**636**	**13,133**	**(13,791)**	**(658)**

Note 30 Pooled Budgets

North Lincolnshire Council and North Lincolnshire Clinical Commissioning Group (CCG) are involved in three Pooled Budget Schemes. The Pooled funds are for Learning Disability, Mental Health and Better Care Fund. The purpose of the pools are to deliver strategic national objectives for a modern service and improving service user and carer experiences.

The Better Care Fund pooled budget is split into separate funds:

- Fund 2 – Capital Provision – Total value of £1,938k received from MHCLG, relating to Disabled Facilities Grant. The fund is hosted by North Lincolnshire Council.
- Fund 3 – Social Care Provision –Total value of £6,430k. The fund is hosted by North Lincolnshire Council.
- Improved Better Care Fund – Total value of £3,703k. The fund in hosted by North Lincolnshire Council. 2017/2018 is the first year of the Improved Better Care Fund.

2016/2017					2017/2018				
Learning Disability £000	Mental Health £000	Better Care Fund (2) £000	Better Care Fund (3) £000		Learning Disability £000	Mental Health £000	Better Care Fund (2) £000	Better Care Fund (3) £000	Improved Better Care Fund £000
				Funding provided to the pooled budget:					
7,738	1,944	2,187	0	The Authority	8,322	1,760	1,938	0	3,703
415	12,018	0	6,224	The CCG	412	11,675	0	6,430	0
8,153	**13,962**	**2,187**	**6,224**		**8,734**	**13,435**	**1,938**	**6,430**	**3,703**
				Expenditure met from the pooled budget:					
7,576	2,910	1,127	6,224	The Authority	8,440	3,022	1,174	6,430	1,915
617	12,018	0	0	The CCG	616	11,675	0	0	0
8,193	**14,928**	**1,127**	**6,224**		**9,056**	**14,697**	**1,174**	**6,430**	**1,915**
(40)	**(966)**	**1,060**	**0**	**Net surplus/(deficit) arising on the pooled budget during the year**	**(322)**	**(1,262)**	**764**	**0**	**1,788**
				Authority share of 95.28%/13.10% of the net surplus arising on the pooled budget	**(307)**	**(165)**			

Note 31 Members' Allowances

Members' allowances, including Employer's costs, are as follows:

	2017/2018 £000	2016/2017 £000
Allowances	536	537
Expenses	30	29
	566	**566**

Note 32 Officers' Remuneration

The council underwent a management restructure in 2016/2017. The comparator year figures only reflect the part of the year the officer was in post following the implementation of the review.

Senior Employees		Basic Salary £	Salary Supplement £	Benefit in Kind £	Compensation for Loss of Office £	Contribution to Pension Fund £	Total
Head of Paid Service and Executive Director of People and Transformation	**2017/2018**	**145,440**	**8,726**	**0**	**0**	**23,289**	**177,455**
	2016/2017	60,000	3,600	0	0	13,678	77,278
Executive Director Commercial	**2017/2018**	**136,350**	**8,181**	**0**	**0**	**21,407**	**165,938**
	2016/2017	14,866	892	0	0	3,315	19,073
Chief Executive	**2017/2018**	**0**	**0**	**0**	**0**	**0**	**0**
	2016/2017	71,404	0	2,771	88,588	155,435	318,198
Director of Adults & Community Well-being	**2017/2018**	**95,950**	**5,757**	**0**	**0**	**15,064**	**116,771**
	2016/2017	16,344	981	1,189	0	3,645	22,159
Director of Business Development	**2017/2018**	**84,992**	**5,100**	**0**	**0**	**13,344**	**103,436**
	2016/2017	14,477	869	0	0	3,228	18,574
Director of Children & Community Resilience	**2017/2018**	**99,485**	**6,594**	**0**	**0**	**15,717**	**121,796**
	2016/2017	16,946	1,017	0	0	3,779	21,742
Director of Governance and Partnerships	**2017/2018**	**84,992**	**5,100**	**0**	**0**	**13,344**	**103,436**
	2016/2017	14,477	869	0	0	3,228	18,574
Director of Learning, Skills & Culture	**2017/2018**	**91,910**	**5,515**	**0**	**0**	**14,430**	**111,855**
	2016/2017	15,656	939	0	0	3,491	20,086
Director of Operations	**2017/2018**	**89,627**	**7,551**	**0**	**0**	**14,071**	**111,249**
	2016/2017	15,794	948	0	0	3,522	20,264
Director of People	**2017/2018**	**0**	**0**	**0**	**0**	**0**	**0**
	2016/2017	61,250	12,425	0	0	15,958	89,633
Director of Places	**2017/2018**	**0**	**0**	**0**	**0**	**0**	**0**
	2016/2017	76,006	4,453	0	0	16,949	97,408
Director of Policy and Resources	**2017/2018**	**0**	**0**	**0**	**0**	**0**	**0**
	2016/2017	91,800	5,578	0	51,056	73,877	222,311
Director of Public Health *	**2017/2018**	**80,323**	**4,819**	**0**	**0**	**11,550**	**96,692**
	2016/2017	0	0	0	0	0	0

* During 2016/2017, cover for the Director of Public Health post was provided, in part, by the Director of Public Health for North East Lincolnshire Council and part by East Riding of Yorkshire Council, to cover statutory duties of the post. An appointment to the Director of Public Health post has now been made and employment commenced during 2017/2018.

The table below does not include the Senior Officers listed individually above.

	2017/2018				2016/2017			
	Teachers	Other Staff	Terminated Employment	Total	Teachers	Other Staff	Terminated Employment	Total
£50,001 to £55,000	19	36	0	55	21	31	0	52
£55,001 to £60,000	15	12	0	27	18	16	1	35
£60,001 to £65,000	12	7	0	19	8	8	0	16
£65,001 to £70,000	12	5	0	17	10	5	1	16
£70,001 to£ 75,000	4	6	0	10	3	5	0	8
£75,001 to £80,000	2	0	0	2	1	1	1	3
£80,001 to £85,000	1	0	0	1	1	0	0	1
£85,001 to £90,000	1	0	0	1	4	0	0	4
£90,001 to £95,000	2	0	0	2	1	0	1	2
£95,001 to £100,000	2	0	0	2	2	0	1	3
£100,001 to £105,000	1	0	0	1	0	0	0	0
£105,001 to £110,000	1	0	0	1	1	0	0	1
	72	**66**	**0**	**138**	**70**	**66**	**5**	**141**

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 (excluding any Senior Officers which are listed individually above):

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018 £000	2016/2017 £000
£0-£20,000	31	9	42	37	73	46	335	345
£20,001 - £40,000	0	0	5	5	6	5	141	121
£40,001 - £150,000	2	0	4	5	5	5	400	482
Total cost included in CIES							**876**	**948**

Note 33 External Audit Costs

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

	2017/2018 £000	2016/2017 £000
Fees payable to KPMG with regard to external audit services carried out by the appointed auditor for the year	106	104
Fees payable in respect of grants provided by KPMG during the year	21	22
Fees payable in respect of other services provided by KPMG during the year	0	7
	127	**133**

Note 34 Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2017. The Schools Budget includes elements for a range of educational services provided on a council-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2017/2018 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total
Final DSG for 2017/2018 before Academies recoupment	21,777	103,437	125,214
Academy figure recouped for 2017/2018	0	(45,982)	(45,982)
Total DSG after academy recoupment for 2017/2018	**21,777**	**57,455**	**79,232**
Plus: Brought forward from 2016/2017	2,366	0	2,366
Less: Carry forward to 2018/2019 (agreed in advance)	(1,641)	0	(1,641)
Agreed initial budgeted distribution in 2017/2018	**22,502**	**57,455**	**79,957**
In year adjustments	0	0	**0**
Final budget distribution for 2017/2018	**22,502**	**57,455**	**79,957**
Less: Actual central expenditure	**(22,377)**	**0**	**(22,377)**
Less: Actual ISB deployed to schools	0	(57,455)	(57,455)
Plus: Carry Forward to 2018/2019 (agreed in advance)	1,641	0	**1,641**
Carry forward to 2018/2019	**1,766**	**0**	**1,766**

Note 35 Grant Income

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement during the year.

	Note	2017/2018 £000	2016/2017 £000
Credited to Taxation and Non-Specific Grant Income			
Revenue Support Grant	13	(14,291)	(20,511)
Other non-ring-fenced grants	13	(1,926)	(1,818)
New Homes Bonus	13	(2,083)	(3,225)
Capital Grants	13	(2,504)	(11,496)
Business Rates Retention Grant	13	(23,370)	(1,424)
Donations	13	0	(37,500)
Total		**(44,174)**	**(75,974)**
Credited to Services			
Dedicated Schools Grant		(78,308)	(76,684)
DWP - Rent Allowance Subsidy		(40,131)	(42,784)
Public Health England		(9,561)	(9,803)
EFA- Pupil Premium		(4,725)	(4,691)
Scunthorpe Steel Support Package		(1,080)	(1,885)
EFA – Free School Meals		(1,462)	(1,427)
Skills Funding Agency		(1,457)	(1,425)
Total		**(136,724)**	**(138,699)**

Note 36 Related Parties

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 influence over the general operations of the council – it is responsible for providing statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grants receipts are shown in Note 35.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2017/2018 is shown in Note 31. During 2017/2018, works and services to the value of £544k were commissioned from companies in which nine members had an interest. Contracts were entered into in full compliance with the council's standing orders. In addition, cabinet members paid grants totalling £90k to voluntary organisations in which twenty members had interests and £548k to charities in which eight members had interests. In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the payments.

Officers

Officers that might be in a position to influence significantly the policies of the Authority are considered to be members of the Senior Leadership Team. There were no declarable material transactions between any of these officers and the Authority on a personal basis.

Note 37 Capital Expenditure and Capital Financing

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

Capital Expenditure and Capital Financing	2017/2018 £000	2016/2017 £000
Opening Capital Financing Requirement	**196,234**	**184,023**
Capital Investment		
Property, Plant and Equipment	39,342	64,642
Investment Properties	109	258
Intangible Assets	402	271
Heritage Assets	4	0
Revenue Expenditure Funded from Capital under Statute	7,798	1,967
	47,655	**67,138**
Sources of finance		
Capital receipts	(7,141)	0
Government grants and other contributions	(20,625)	(48,993)
Sums set aside from revenue:		
Direct revenue contributions	(209)	(592)
Minimum Revenue Provision	(4,349)	(5,342)
	(32,324)	**(54,927)**
Closing Capital Finance Requirement	**211,565**	**196,234**
Explanation of movements in year		
Increase in underlying need to borrow (unsupported by government financial assistance)	15,331	12,211
Increase/(decrease) in Capital Financing Requirement	**15,331**	**12,211**

Note 38 Leases

Finance Leases (council as lessee)

The Council no longer has any vehicles under finance leases as the primary rental period for those assets concluded during the last financial year.

	2017/2018 Vehicles £000	2016/2017 Vehicles £000
Cost or Valuation		
Opening Balance	0	723
Additions	0	0
Disposals	0	0
	0	**723**
Depreciation		
Opening Balance	0	667
Disposals	0	0
Provided for year	0	56
	0	**723**
Net Book Value		
Closing Balance	**0**	**0**
Opening Balance	**0**	**56**

Operating Leases (council as lessee)

The council has previously used winter maintenance, refuse and other vehicles together with miscellaneous equipment financed under terms of an operating lease. The council's current policy is to purchase outright, no commitments still exist under former leases as the primary period has expired.

Operating Leases (council as lessor)

The council, in accordance with its statutory and discretionary responsibilities, leases out property and equipment under operating leases for the following purposes:

- for the provision of smallholdings
- for economic development purposes to provide suitable affordable accommodation for local businesses
- for the provision of leisure and cultural purposes

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

	2017/2018 Land and Buildings £000	2016/2017 Land and Buildings £000
Minimum lease rentals receivable:		
No later than 1 year	3,477	3,464
Later than 1 year and no later than 5 years	10,563	9,725
Later than 5 years	100,637	103,653
	114,677	**116,842**

Note 39 Impairment Losses

There were no significant impairment losses charged to the Surplus/Deficit on the Provision of Services in 2017/2018.

Note 40 Termination Benefits

The council terminated the contracts of a number of employees in 2017/2018, incurring liabilities of £876k (£948k in 2016/2017) – see Note 32 for the number of exit packages and total cost per band.

Note 41 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 arrangements for the teachers' scheme mean that liabilities for the benefits cannot be identified to the council. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2017/2018, the council paid £4.7m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.5% of pensionable pay. The figures for 2016/2017 were £4.7m and 16.5%. 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 £4.7m.

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 and detailed in Note 42.

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

Public Health staff

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

In 2017/2018 the council paid £84k to the NHS Pension Scheme in respect of the retirement benefits of public health staff representing 14.4% of pensionable pay. In 2016/2017 the council paid £95k to the NHS Pension Scheme, representing 14.3% 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 £84k.

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

Note 42 Defined Benefit Pension Schemes

Participation in the Local Government Pension Scheme

As part of the terms and conditions of employment of its officers, the council 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:

- 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.
- 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 Public Service Pensions Act 2013.

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

Discretionary Post-retirement Benefits

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

Transactions relating to Post-Employment Benefits

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

	Local Government Pension Scheme		Discretionary Benefits	
	2017/2018	2016/2017	2017/2018	2016/2017
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Cost of services:				
Service cost comprising:				
Current service cost	29,089	19,034	0	0
Past service cost	513	465	0	0
(Gain)/loss from settlements	0	0	0	0
Financing and Investment Income and Expenditure:				
Net Interest expense	6,166	7,947	0	0
Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services	**35,768**	**27,446**	**0**	**0**
Other post-employment benefits charged to the CIES				
Re-measurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(2,956)	(87,710)	0	0
Actuarial gains and losses arising on changes in demographic assumptions	0	(13,629)	0	0
Actuarial gains and losses arising on changes in financial assumptions	(17,637)	123,449	1,094	2,282
Other	512	(28,834)	0	0
Total post-employment benefits charged to the CIES	**15,687**	**20,722**	**1,094**	**2,282**
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	**(35,768)**	**(27,446)**	**0**	**0**
Actual amount charged against the general fund balance for pensions in the year:				
Employers' contributions payable to scheme	**15,705**	**16,435**		
Retirement benefits payable to pensioners			**1,834**	**1,908**

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme		Discretionary Benefits	
	2017/2018	2016/2017	2017/2018	2016/2017
	£000	£000	£000	£000
Present value of the defined obligation	(858,788)	(840,487)	(25,828)	(26,568)
Fair value of plan assets	654,071	635,752	0	0
Net liability arising from the defined benefit obligation	**(204,717)**	**(204,735)**	**(25,828)**	**(26,568)**
Total Liability	**(230,545)**	**(231,303)**		

Reconciliation of movements in the fair value of scheme assets

	Local Government Pension Scheme		Discretionary Benefits	
	2017/2018	2016/2017	2017/2018	2016/2017
	£000	£000	£000	£000
Opening fair value of scheme assets	635,752	530,216		
Interest income	16,503	18,532		
Re-measurement gain/(loss):				
the return on plan assets, excluding the amount included in the net interest expense	2,956	87,710		
The effect of changes in foreign exchange rates				
Contributions from employer	15,705	16,435	1,834	1,908
Contributions from employees into the scheme	4,409	4,421		
Benefits/transfers paid	(21,254)	(21,562)	(1,834)	(1,908)
Closing value of scheme assets	**654,071**	**635,752**	**0**	**0**

Reconciliation of present value of the scheme liabilities:

	Local Government Pension Scheme		Discretionary Benefits	
	2017/2018	2016/2017	2017/2018	2016/2017
	£000	£000	£000	£000
Opening balance at 1 April	(840,487)	(730,664)	(26,568)	(26,194)
Current service cost	(29,089)	(19,034)		
Interest cost	(22,669)	(26,479)		
Contributions from scheme participants	(4,409)	(4,421)		
Re-measurement (gains) and losses:				
Actuarial (gains)/losses from changes in demographic assumptions	0	13,629		
Actuarial (gains)/losses from changes in financial assumptions	17,637	(123,449)	(1,094)	(2,282)
Other (if applicable)	(512)	28,834		
Past service cost	(513)	(465)		
Benefits/transfers paid	21,254	21,562	1,834	1,908
Balance as at 31 March	**(858.788)**	**(840,487)**	**(25,828)**	**(26,568)**

Local Government Pension Scheme assets comprised:

	2017/2018 £000	2016/2017 £000
Cash and cash equivalents	18,497	18,575
Equities:		
by industry type		
Consumer	62,092	62,366
Manufacturing	36,399	34,610
Energy and utilities	34,453	35,826
Financial institutions	28,740	39,462
Health and care	35,237	37,151
Information technology	24,727	24,347
Other	0	221
sub-total equity	**221,648**	**233,983**
Bonds:		
by sector		
Corporate (Investment Grade)	8,906	9,847
Corporate (non-Investment Grade)	35,041	18,706
Government	25,599	18,847
Other	16,751	19,559
sub-total bonds	**86,297**	**66,959**
Property:		
by type		
UK Property	74,001	74,375
sub-total property	**74,001**	**74,375**
Private equity		
UK	29,227	29,716
sub-total private equity	**29,227**	**29,716**
Other investment funds:		
Equities	169,946	147,743
Infrastructure	26,082	23,085
Other	28,373	41,316
sub-total other investment funds	**224,401**	**212,144**
Total assets	**654,071**	**635,752**

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 Pension Fund being based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary are set out below:

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

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

	Approximate increase to Employer	
Change in assumptions at 31 March 2017	%	£000
0.5% decrease in Real Discount Rate	10	86,201
0.5% increase in the Salary Increase Rate	1	12,849
0.5% increase in the Pension Increase Rate	8	72,249

Impact on the Council's Cash Flows

The council's anticipated contributions to the scheme in 2018/2019 is £14.3m.

Note 43 Contingent Liabilities

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 Scunthorpe General Hospital. 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 £3m for the council, if the appeal is successful.

Note 44 Contingent Assets

The council does not have any material contingent assets.

Note 45 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 market pricing of financial instruments.

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 transactions with banks and financial institutions, as well as credit exposures to the council's customers.
This risk is minimised through the annual Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Standard & Poors Global, Fitch and Moody's Ratings Services. The Treasury Management Strategy also imposes a maximum sum to be invested with a financial institution or group of financial institutions 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 16 February 2017. These include commercial entities with a minimum long-term credit rating of A- and the UK government. Recognising that credit ratings are imperfect predictors of default, the council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £10m is placed on the amount of money that can be invested with a single counterparty (other than the UK government). The council also sets limits on investments in certain sectors.

The council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recovery applies to all of the council's deposits, but there was no evidence at the 31 March 2018 that this was likely to crystallise.

Liquidity Risk

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

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

	2017/2018 £000	2016/2017 £000
Less than 1 year	33,209	28,916
Between 1 and 2 years	20,505	3,215
Between 2 and 5 years	14,496	9,611
Between 5 and 10 years	43,719	44,201
Between 10 and 20 years	62,743	69,270
Over 20 years	15,128	6,247
	189,800	**161,460**

Interest rate risk

The council faces a risk in terms of its exposure to interest rate movements on its investments and to a lesser extent borrowings. Movements in interest rates have a complex impact on the council. For instance, a rise in interest rates would have the following effects:

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

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

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

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

Price risk

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

This will typically only apply where an investment is held as available for sale

However, the council does have shareholdings to the value of £0.064m in a number of private entities. Whilst these holdings are generally illiquid, the council is exposed to losses arising from movements in the price of the shares. The council also has shareholdings in Humberside Airport International Limited, however, the airport shares are carried at a value, after impairment, of zero.

Collection Fund

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

2016/2017			Collection Fund	2017/2018		
Business Rates £000	Council Tax £000	Total £000		Business Rates £000	Council Tax £000	Total £000
			INCOME			
	(76,183)	(76,183)	Council Tax Receivable		(80,758)	(80,758)
(90,834)		(90,834)	Business Rates Receivable	(82,328)		(82,328)
			Contribution towards previous year's Business Rates deficit:			
(1,655)		**(1,655)**	Central Government	(1,322)		(1,322)
(1,622)		**(1,622)**	Billing Authority	(1,296)		(1,296)
(33)		**(33)**	Fire Authority	(26)		(26)
(94,144)	**(76,183)**	**(170,327)**	**Total amounts to be credited**	**(84,972)**	**(80,758)**	**(165,730)**
			EXPENDITURE			
			Apportionment of Previous Year Surplus			
		0	Central Government			0
	2,065	2,065	Billing Authority		1,018	1,018
	123	123	Fire Authority		60	60
	283	283	Police Authority		140	140
			Precepts, demands and shares			
44,612		44,612	Central Government	38,228		38,228
43,720	62,244	105,964	Billing Authority	37,463	66,979	104,442
892	3,668	4,560	Fire Authority	765	3,859	4,624
	8,540	8,540	Police Authority		9,019	9,019
			Charges to Collection Fund			
831	369	1,200	Write-offs of uncollectable amounts	847	319	1,166
686	105	791	Increase/(decrease) in allowance for impairment	(630)	188	(442)
2,418		2,418	Increase/(decrease) in allowance for appeals	8,691		8,691
345		345	Transitional Protection Payments Payable	12,748		12,748
254		254	Charge to General Fund for allowable collection costs for non-domestic rates	238		238
			Other transfers to General Fund in accordance with non-domestic rates regulations			
1,048		1,048	Enterprise Zone Growth	1,116		1,116
2,486		2,486	Renewable Energy	2,531		2,531
97,292	**77,397**	**174,689**	**Total amounts to be debited**	**101,997**	**81,582**	**183,579**
3,148	**1,214**	**4,362**	**(Surplus) /deficit arising during the year**	**17,025**	**824**	**17,849**
6,035	(2,312)	3,723	(Surplus)/deficit brought forward at 1 April	9,183	(1,098)	8,085
9,183	**(1,098)**	**8,085**	**(Surplus)/deficit carried forward at 31 March**	**26,208**	**(274)**	**25,934**

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:

Band	Valuation Band Limits			Calculated number of dwellings	Ratio to Band D	Equated number of dwellings	Council Tax Payable
A	Up to 40,000			23,837	6/9	15,891	1,106
B	40,001	-	52,000	12,817	7/9	9,969	1,290
C	52,001	-	68,000	9,538	8/9	8,478	1,474
D	68,001	-	88,000	6,786	9/9	6,786	1,659
E	88,001	-	120,000	3,435	11/9	4,199	2,027
F	120,001	-	160,000	1,386	13/9	2,002	2,396
G	160,001	-	320,000	473	15/9	788	2,764
H	More than 320,001			11	18/9	21	3,317
						48,134	
				Adjustment for MOD Properties		13	
						48,147	

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

(i) Preceptor's Council Tax Requirements	£79,857,053
(ii) Number of Band D equivalent Dwellings	48,147.19
Band D - (i) divided by (ii)	£1,658.60

Collection Fund Note 2 – Non-Domestic Rates

Non-Domestic Rates are determined on a local basis. The Government specifies an amount and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. In 2017/2018 the amount was 47.9p (49.7p in 2016/2017) and 46.6p for small businesses (48.4p in 2016/2017).

The council is responsible for collecting rates due from the ratepayers in its area and distributing the amount collected between itself, central government and major preceptors in proportions specified by central government. The council's share of this is shown in the Comprehensive Income and Expenditure Statement and analysed at Note 13. The total rateable value as at 31 March 2018 was £195,969,086 (as at 31 March 2017, it was £206,804,501).

Glossary of Financial Terms

Financial Abbreviations and roundings

Throughout this document we have used standard financial abbreviations k and m. 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.

Cash and Cash Equivalents
Cash and cash equivalents include petty cash, cash in transit, bank balances (according to the ledger), and short-term, highly liquid investments that are readily convertible to known amounts of cash.

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.

Levy
Impose or collect an amount (such as a tax) by compulsion or legal 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 grans.

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.