North Lincolnshire Council

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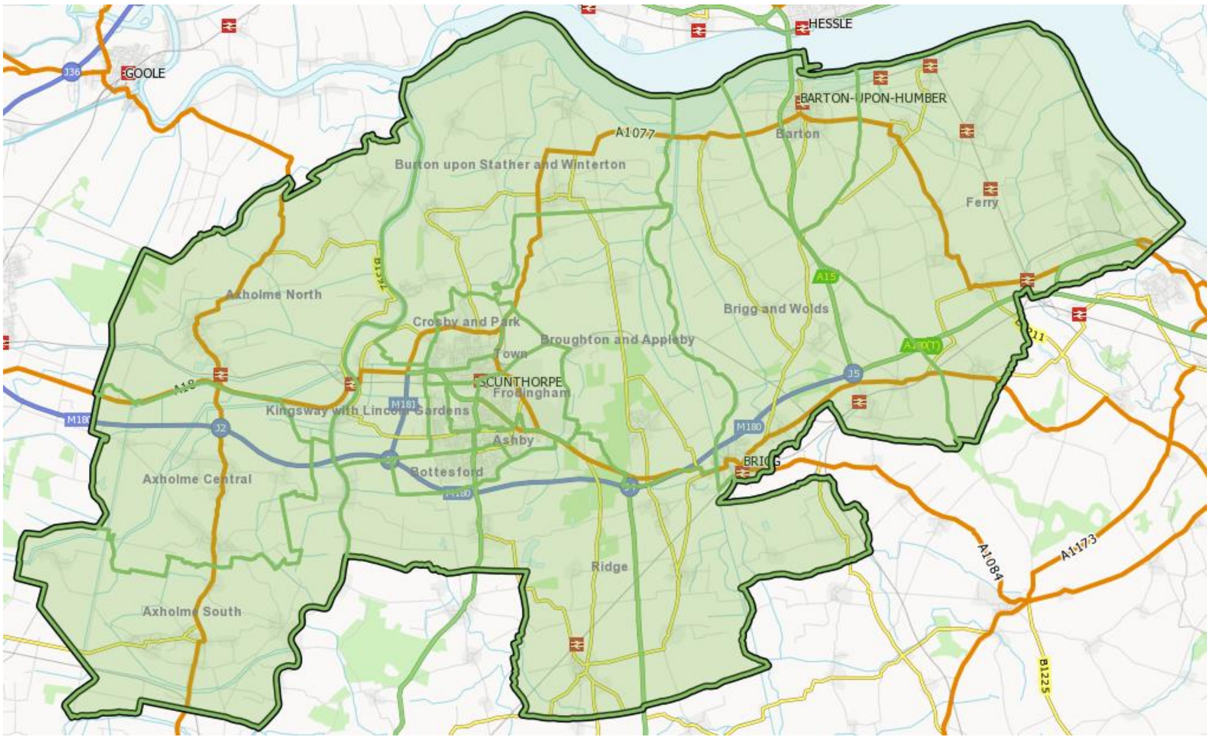
North Lincolnshire Council Statement of Accounts AUDITED

FINANCIAL YEAR 2018/2019



Index

Contents

Narrative Statement

These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (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 financial performance during the year 2018/2019 and its financial position at the end of that year. It follows approved accounting standards and is necessarily technical in parts.

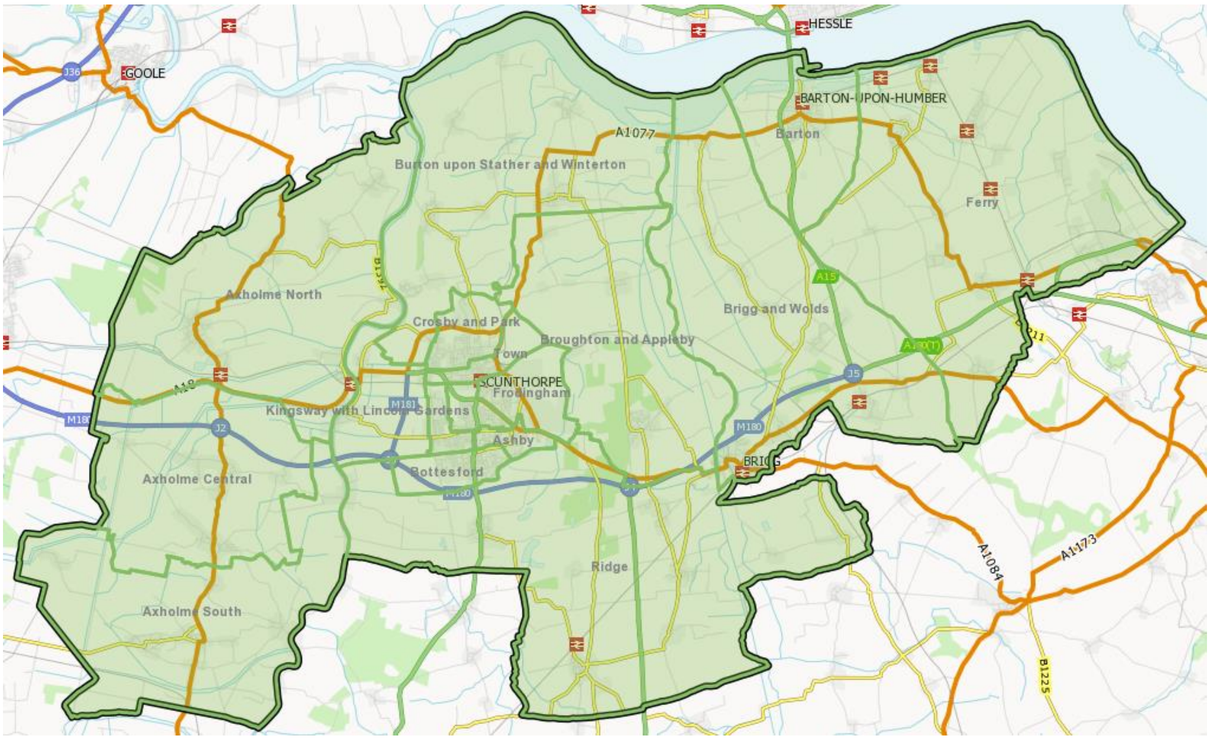
The Narrative Statement is not part of the financial statements but is prepared on the basis that it is consistent with the financial statements. Its purpose is to comment on the financial performance of the council and the economy, efficiency and effectiveness in its use of resources over the financial year.

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 3,100 people, making it a major local employer.

The Council operates a strong Leader and Cabinet model. There are 43 elected members that represent 17 wards. 2018/2019 was the final year of a four year term for the ruling Conservative group. Elections held on 2 May 2019 resulted in a third term of office for the Conservative group, increasing its majority by one seat (27 Conservative and 16 Labour councillors).

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 links with the national road and rail network.



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. The ambition for North Lincolnshire is to be the best place for our residents 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 made 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 drive 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-responsibility 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 to improve outcomes. Our operating principles help the Council to achieve its organisational goals of being sustainable, enabling, commercial and progressive:

- Prioritising resources to agreed priorities
- Acting early to prevent failure and the escalation of need
- Keeping close control of High Risk functions and services
- Where it delivers better outcomes and value for money:
  - alternative delivery for low-risk, high-volume services
  - Commissioning or integration with partners
- Investing to save and to transform

A one council team approach has created the conditions to implement large scale change whilst delivering high quality services to residents.

Financial Performance 2018/2019

The Council set its Medium Term Financial Plan (MTFP) 2018/2023 and budget for 2018/2019 in March 2018.The net spending power in 2018/2019 was £137.24m revenue and capital investment £62.2m.

The budget made the following assumptions:

- A Council tax base of 48,602 which had increased by 1% from 2017/2018
- A precept levied for Adult Social Care of 3%
- Business rates growth - £7m, over baseline (this includes the benefit of being part of the 2018/19 Business Rates Pilot in Greater Lincolnshire)
- Planned use of non-earmarked reserves of £4.399m in 2018/2019
- Use of Capital Receipts Flexibility for transformation (£1.284m)
- Support to the capital programme from capital receipts (£7.6m for 2018/2019 and £4.4m for 2019/2020)
- And external borrowing of £33.0m (this reduced due to re-phasing in year)

The Financial Strategy 2018/2023 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; achieving growth in the tax base and allowing for business rates appeals.

Good track record of effective financial management

In every year since its creation in 1995 the Council's accounts have been 'unqualified'; with a positive value for money judgement. This position is supported by examples of good practice and financial management across the council, including:

- Consistently well managed demand in children's and adults social care over a long period
- Effective partnership working with the education sector – for example resolving pressures on High Needs Dedicated Schools Grant through clear ownership of the whole system challenge and agreed interventions
- Systems leadership across Health and Care sectors– with, for example, low rates of delayed transfers of care and integrated intermediate care services
- Effective management of the Local Transport Plan – classified as Band 3 for LTP incentive funding from 2018/2019, assessed against government criteria

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 outturn for 2018/2019 will be reported to Cabinet in July 2019. The outturn shows net operating expenditure of £134.8m against a budget of £137.7m. The Council overall has achieved its objectives and levels of performance and quality within the budget cash limit. Within this cash limit direct service spending was in line with budget by year end, which addressed identified pressures reported during the year. One-off savings in central and technical budgets, including cost of capital and unused contingency, resulted in a contribution to reserves. Capital delivery achieved 86% of the original programme for the year.

The profile of the council's expenditure for 2018/2019 has been relatively consistent throughout the year, with cost pressures emerging in the areas of risk identified in the medium term financial plan. Initiatives were taken across all services to manage cost pressures, with a collective team approach to delivering financial balance. Unresolved base pressures have been addressed in the 2019/2020 budget and Medium Term Financial Plan. Close monitoring and financial management was undertaken during the year, and where outturn varies from forecast projections there is an understanding of the contributory factors.

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 reducing capital financing cost as a proportion of the net revenue stream. A mid-year update report was presented to Full Council in December 2018.

2018/19 OUTTURN POSITION	**Budget £000's**	**Actual £000's**	**Variance £000's**
EXPENDITURE			
Business Development	-180	398	578
Governance & Partnerships	19,212	17,459	-1,753
Operations	27,548	27,059	-489
Learning Skills & Culture	11,064	12,256	1,192
Children & Community Resilience	19,460	19,844	384
Adults & Community Wellbeing	34,843	34,841	-2
Public Health	1,477	1,452	-25
SERVICE EXPENDITURE	**113,424**	**113,309**	**-115**
Central & Technical Budgets	10,202	9,695	-507
Capital Financing, Risk Mitigation & Capital Receipt Flexibility	14,100	11,793	-2,307
NET OPERATING EXPENDITURE	**137,726**	**134,797**	**-2,929**
FUNDING			
Council Tax, Business Rates and Government Grants	-132,177	-133,136	-959
Use of Reserves	-5,549	-4,458	1,091
TOTAL FUNDING	**-137,726**	**-137,594**	**132**
Contribution to Reserves	**0**	**2,797**	**2,797**

Capital Investment Programme Summary

Capital Investment 2018/19	Budget £000's	Actual £000's	Variance £000's
Investment In Priority			
Keeping People Safe And Well	616	317	(299)
Enabling Communities To Flourish	16,131	12,428	(3,703)
Growing The Economy	43,862	42,166	(1,696)
Organisational Enablers	6,097	5,767	(330)
Total	**66,706**	**60,678**	**(6,028)**
Funding Analysis			
External & Grant Funding	28,416	27,182	(1,234)
Revenue Funding	80	90	10
Borrowing	33,049	28,316	(4,733)
Capital Receipts	4,245	5,090	845
PTA Receipts	917	0	(917)
Total	**66,706**	**60,678**	**(6,028)**

Recent Achievements and Performance

In addition to positive financial performance during 2018/2019, the council has continued its excellent track record in delivering high performing and value for money services. All council services and functions that are externally regulated or validated have current inspection ratings and verifications are good or better.

Indicators of high and improved performance include:

Adult Social Care

- 100% of the council's adult care provision is good or outstanding
- 100% of people using social care have self-directed support
- Over 95% of carers receive a direct payment
- 95% of older people accessing rehabilitation/reablement remain at home
- Delayed transfers of care (due to adult social care) remain low

Children and Young People

- 92% of 3/4 year old children in early education receive good or better provision
- 78% of 2 year olds entitled to early learning have taken up the offer
- Repeat contacts and children's re-referrals have reduced significantly
- Over 98% of children's assessments were completed within 45 days
- 100% of child protection conferences were held with 15 days
- Children meeting the required standard in Reading, Writing and Maths at Key stage 2 increased by 6 percentage points
- Number of First time entrants to the Youth Justice system reduced significantly
- The percentage of 16-19 year olds in employment rose by 5 percentage points

Services to the Community

- 98% of licencing applications were processed within timescale
- The amount of household waste recycled and composted rose to 52%
- 99.9% of waste collections were completed
- 100% of land charges were processed with 10 Days

Financial Outlook

Medium Term Financial Strategy

In a time of significant readjustment to the public finances the council has made substantial efficiency savings year on year, while maintaining or improving services to local people. It is also dealing with a range of social, demographic and legislative challenges which increase demand on the council's resources. It is paramount that the council takes the right steps to drive a robust and financially sustainable position. Without that, the delivery of the best service outcomes for local people is compromised. For that reason the current phase of modernisation requires a more fundamental transformation of the way the council operates.

The financial strategy for achieving a sustainable council is therefore to:

- Support growth in the local economy to increase prosperity, to build community resilience and have better outcomes for people

- Invest in its workforce to ensure need is well-managed whilst maintaining quality of service and improving performance

- Find innovative ways of delivery which integrate services across the council and with partners around people and North Lincolnshire, whilst utilising the council's resources wisely

- Ensure financial decision making is based on robust plans that match our ambition and secures value for money

- Maximise income through growing the tax-base; investing wisely in commercial activity; ensure full cost recovery in commercial services; and take full advantage of opportunities to access external funding sources which will support the council's ambitions.

The mechanisms for translating this Financial Strategy into action are the annual budget and Medium Term Financial Plan (MTFP). These are the means for allocating resources to priorities, identifying areas for investment and disinvestment, and for directing organisational delivery of statutory duties and council ambitions. To provide appropriate discipline to the MTFP process, the council works to a set of budget principles to guide resource decisions, and these are set out in the table below:

Theme	**Budget Setting**
Making Informed Decisions	• Spending decisions are aligned to agreed ambitions, goals, outcomes and priorities. • Revenue and capital investments are based on needs analysis and risk assessments; informed by research; demonstrate a tangible benefit to communities and mitigate against legacy costs. • Spend within the resource that growth allows in order to provide services • Levels of service delivery are affordable
Manage Risk	• Risk management principles are applied to financial decisions. • Keep those functions with high risk under more direct control. • Promote community empowerment - and communities determining local solutions on lower risk activities.
Invest in Success	• Spend on things that can demonstrate ambition, quality, value for money and improved outcomes. • Integrate and share services with partners where it better achieves the council's ambitions, goals and outcomes. • Enable community initiatives which support the social and economic wellbeing of its residents.

National Context

The Government will be undertaking its next Comprehensive Spending Review in 2019 (last in 2015). This represents a national re-prioritisation exercise that considers the overall availability of resources for public services and distributes according to policy priorities. The spending review is the mechanism by which Government will take a view on locally generated resources when determining the national grant level. It will set the quantum available to fund Local Government. The current state of public finances is better than expected, with the public sector deficit in 2018/2019 at its lowest since 2002.

At present there is uncertainty over when the review will start and how funding will be prioritised. There is a commitment from the current Government to invest significantly in the NHS. There is also the imminent green paper on the future of social care, which could involve fundamental change for Council service provision and future resource.

The Government is consulting on further reforms to the local government funding regime, which aims to introduce 75% retention of business rates from 2020 (currently it is 50%). This takes further the rebalancing of the finances of the sector which started in 2013/2014. It is not clear at this stage how the retention scheme will be rebased and therefore to what extent the Council's growth in tax-base since 2013/2014 will be treated.

A fair funding review running in parallel will determine how resource is shared amongst authorities, with the key objectives to simplify the needs allocation system and ensure a fairer distribution that better reflects need to spend. This will be the first time the formula has been reviewed since 2013/2014 and there could be significant changes in distribution, to reflect change in relative need. There is a stated commitment to exclude deprivation factors from the new formula.

The council's forward MTFP takes a neutral stance on all these proposed changes to funding until further detail emerges. There is likely to be a phasing in of changes to moderate the pace of redistribution, and the council has a good track record of managing resource changes.

However, there is an inherent risk that the Council may not benefit from the structural changes to Local Government finance, and from the Comprehensive Spending Review, and it must have enough resilience to withstand this. The council is taking steps to put itself on a sustainable footing so that it has more control over its future finances. It is doing this through its economic growth plan, working with the business sector in an innovative way to promote the area and grow the local economy; to communicate successes and the high standard of local services and quality of life measures; through building individual and community resilience through early intervention and building the sense of place; through defining the community offer and public engagement; and by releasing the potential of its workforce through its transformational Organisational Development Plan. It is also taking an intelligent approach to risk management, clarifying its risk exposure and risk appetite, and putting in place the necessary risk management arrangements.

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 2018/2019 provides a firm financial basis for the next phase of transformation. 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 2019 has been prepared in the form directed by the Code and under the accounting policies set out in note 1.
(b) in my opinion the Statement of Accounts presents fairly the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.
(c) the statement of accounts is unaudited and may be subject to change.

R McIntyre
Director: Governance and Partnerships
Date of certification: July 2019

Council Approval of Statement of Accounts

Audit Committee
Date of approval: July 2019

Independent Auditor's Report to the Members of North Lincolnshire Council

Certificate

Comprehensive Income and Expenditure Statement

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

	*Restated 2017/2018			Notes		2018/2019	
£000 Expenditure	£000 Income	£000 Net			£000 Expenditure	£000 Income	£000 Net
9,688	(1,150)	8,538	Business Development		13,830	(1,583)	12,247
68,074	(52,655)	15,419	Governance and Partnerships		74,051	(44,232)	29,819
50,724	(7,204)	43,520	Operations		58,418	(12,991)	45,427
14,417	(9,952)	4,465	Public Health		1,800	(1,706)	94
52,156	(30,255)	21,901	Learning, Skills and Culture		49,923	(31,624)	18,299
27,873	(4,557)	23,316	Children and Community Resilience		24,659	(3,700)	20,959
61,705	(18,704)	43,001	Adult and Community Wellbeing		57,618	(22,535)	35,083
69,731	(66,450)	3,281	Schools		68,641	(66,771)	1,870
354,368	**(190,927)**	**163,441**	**Cost of Services**		**348,940**	**(185,142)**	**163,798**
4,606	0	4,606	Other Operating Expenditure	**11**	11,197	0	11,197
28,224	(21,645)	6,579	Financing and Investment Income and Expenditure	**12**	35,664	(22,239)	13,425
0	(145,752)	(145,752)	Taxation and Non-Specific Grant Income and Expenditure	**13**	0	(154,937)	(154,937)
387,198	**(358,324)**	**28,874**	**(Surplus) or Deficit on Provision of Services**		**395,801**	**(362,318)**	**33,483**
		(28,448)	Surplus or deficit on revaluation of Property, Plant and Equipment	**14**			1,555
		401	Impairment losses on non-current assets charged to the Revaluation Reserve	**14**			(1,096)
		(18,987)	Re-measurement of the net defined benefit liability/(asset)	**40**			45,624
		(47,034)	**Other Comprehensive Income and Expenditure**				**46,083**
		(18,160)	**Total Comprehensive Income and Expenditure**				**79,566**

*During 2018/2019 some of the management accountabilities changed. In order to make the years comparable, the 2017/2018 figures have been restated to reflect the 2018/2019 changes.

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 International Financial Reporting Standards (IFRS) and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following these adjustments.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves of the Council £000
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**
Movement in reserves during 2018/2019							
Total Comprehensive Income and Expenditure	(33,483)	0	0	0	**(33,483)**	(46,083)	**(79,566)**
Adjustments from income and expenditure charged under the accounting basis to the funding basis	32,742	0	(122)	883	**33,503**	(33,503)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(741)**	**0**	**(122)**	**883**	**20**	**(79,586)**	**(79,566)**
Transfer to or from Earmarked Reserves	741	(741)	0	0	0	0	0
Increase/(Decrease) in 2018/2019	**0**	**(741)**	**(122)**	**883**	**20**	**(79,586)**	**(79,566)**
Balance Sheet as at 31 March 2019	**6,858**	**29,748**	**1,000**	**10,553**	**48,159**	**29,105**	**77,264**

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.

31st March 2018 £000		Note Number	31st March 2019 £000
501,576	Property, Plant & Equipment	**14**	488,036
1,252	Heritage Assets	**15**	1,289
50,663	Investment Property	**16**	55,409
966	Intangible Assets	**17**	957
64	Long Term Investments	**18**	0
366	Long Term Debtors	**18/20**	354
554,887	**Long Term Assets**		**546,045**
240	Inventories		337
44,440	Short Term Debtors	**20**	38,216
15,685	Cash and Cash Equivalents	**21**	12,675
6,693	Assets held for sale	**22**	10,172
67,058	**Current Assets**		**61,400**
(33,209)	Short Term Borrowing	**18**	(46,860)
(34,048)	Short Term Creditors	**23**	(22,813)
(4,566)	Provisions	**24**	(3,516)
(71,823)	**Current Liabilities**		**(73,189)**
(6,156)	Provisions	**24**	(12,085)
(156,591)	Long Term Borrowing	**18**	(148,840)
(230,545)	Other Long Term Liabilities	**40**	(296,067)
(393,292)	**Long Term Liabilities**		**(456,992)**
156,830	**Net Assets**		**77,264**
48,139	Usable Reserves	**MiRS**	48,159
108,691	Unusable Reserves	**25**	29,105
156,830	**Total Reserves**		**77,264**

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.

£000		Note	2018/2019 £000
(28,874)	Net surplus or (deficit) on the provision of services		(33,483)
46,414	Adjustment to surplus or deficit on the provision of services for non-cash movements	26	74,522
(29,476)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(25,093)
(11,936)	Net Cash flows from operating activities		15,946
(11,061)	Net Cash flows from Investing Activities	27	(26,095)
35,130	Net Cash flows from Financing Activities	28	7,139
12,133	Net increase or (decrease) in cash and cash equivalents		(3,010)
3,552	Cash and cash equivalents at the beginning of the reporting period	21	15,685
15,685	Cash and cash equivalents at the end of the reporting period	21	12,675

Notes to the Accounts

Note 1 Accounting Policies

i. General Principles
The Statement of Accounts summarises the council's transactions for the 2018/2019 financial year and its position at the year-end of 31 March 2019. The 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 2018/2019, supported by International Financial Reporting Standards (IFRS).
The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet where individual inventory categories are above £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 payments 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 on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.
In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the council's cash management.

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

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

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

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

vi. Council Tax and Non-Domestic Rates
Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (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.

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

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

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

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

Financial Assets

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

Expected Credit Loss Model

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

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

Financial Assets Measured at Fair Value through Profit of Loss

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

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

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

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

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

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

x. Government Grants and Contributions

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

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

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

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

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

xi. Heritage Assets

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

Civic Regalia, Museum Collection and Memorials

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.

Intangible assets are measured initially at cost and then carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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

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

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

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 council does not capitalise borrowing costs incurred while assets are under construction.

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

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

Assets are then carried in the Balance Sheet using the following measurement bases:

- assets under construction and community assets (without a determinable finite useful life) – historical cost
- infrastructure, community assets (with a determinable finite useful life) – depreciated historical cost
- all other assets are measured at current value

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. 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 receipts are transferred to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement. The reserves can then only be used for new capital investment, or set aside to reduce the council's underlying need to borrow (the capital financing requirement).
The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xviii. Provisions, Contingent Liabilities and Contingent Assets

Provisions are made where an event has taken place that gives the council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be

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

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

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

xix. Reserves
The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance 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 2018/2019 (the Code), the council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.
At the Balance Sheet date the following new standards and amendments to existing standards have been published but not yet adopted:

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

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

- **IFRS16 Leases:** will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government until 1 April 2020.

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 2019 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.	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 £0.5m 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 2018/2019, the council's actuaries advised that the net pension liability had increased by £63.3m as a result of updating the assumptions and actual contributions made. A sensitivity analysis can be seen in the Defined Benefit Pension Schemes note.
Impairment At 31 March 2019, the council had a balance of sundry debtors of £8.9m. A review of significant balances suggested that an impairment of doubtful debts of £1.1m was appropriate. However, it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1.1m to be set aside as an allowance.
National Non Domestic Rates (NNDR) Provision The council set aside, from its collection fund, £14.1m 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 £13.9m 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 2018/2019 that are not already disclosed elsewhere within the accounts.

Note 6 Events after the Balance Sheet Date

After the balance sheet date it was announced that British Steel had entered into insolvency but was continuing to trade and was actively seeking one or more purchasers. This business is the area's largest commercial enterprise and its largest business rates payer. Its loss would have a significant impact on the area's economy and council finances.

Note 7 Expenditure and Funding Analysis and Associated Notes

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 International Financial Reporting Standards (IFRS). 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 International Financial Reporting Standards (IFRS) is presented more fully in the Comprehensive Income and Expenditure Statement.

Net Expenditure Chargeable to the General Fund Balances £'000	*Restated 2017/2018 Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000		Net Expenditure Chargeable to the General Fund Balances £'000	2018/2019 Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000
1,189	7,349	8,538	Business Development	397	11,850	12,247
26,227	(10,808)	15,419	Governance and Partnerships	36,496	(6,677)	29,819
27,406	16,114	43,520	Operations	27,059	18,368	45,427
3,706	759	4,465	Public Health	1,451	(1,357)	94
11,557	10,344	21,901	Learning, Skills and Culture	12,256	6,043	18,299
17,732	5,584	23,316	Children and Community Resilience	19,845	1,114	20,959
38,058	4,943	43,001	Adult and Community Wellbeing	34,841	242	35,083
0	3,281	3,281	Schools	0	1,870	1,870
125,875	**37,566**	**163,441**	**Net Cost of Services**	**132,345**	**31,453**	**163,798**
(125,875)	(8,692)	(134,567)	Other Income and Expenditure	(132,345)	2,030	(130,315)
0	**28,874**	**28,874**	**(Surplus) or Deficit**	**0**	**33,483**	**33,483**
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**		

*During 2018/2019 some of the management accountabilities changed. In order to make the years comparable, the 2017/2018 figures have been restated to reflect the 2018/2019 changes.

Adjustments from general fund to arrive at the Comprehensive Income and Expenditure Statement amounts:

2018/2019	Adjustments for Capital purposes £000	Net change for the Pensions Adjustments £000	Other Statutory Adjustments £000	Other Non-Statutory Adjustments £000	Total Adjustments £000
Business Development	17,209	922	629	(6,910)	11,850
Governance and Partnerships	290	4,054	400	(11,421)	(6,677)
Operations	20,792	1,801	(408)	(3,817)	18,368
Public Health	0	95	160	(1,612)	(1,357)
Learning, Skills and Culture	5,607	1,348	(581)	(331)	6,043
Children and Community Resilience	147	1,320	(32)	(321)	1,114
Adult and Community Wellbeing	2,344	1,268	2,024	(5,394)	242
Schools	(13)	2,689	(806)	0	1,870
Net Cost of Services	**46,376**	**13,497**	**1,386**	(29,806)	**31,453**
Other income and expenditure from the EFA	(18,894)	6,401	(15,283)	29,806	2,030
Difference between General Fund surplus or deficit and CIES surplus or deficit on the Provision of Services	**27,482**	**19,898**	**(13,897)**	**0**	**33,483**

*Restated 2017/2018	Adjustments for Capital purposes £000	Net change for the Pensions Adjustments £000	Other Statutory Adjustments £000	Other Non-Statutory Adjustments £000	Total Adjustments £000
Business Development	6,619	1,291	807	(1,368)	7,349
Governance and Partnerships	(3,450)	(30)	(244)	(7,084)	(10,808)
Operations	11,928	2,267	1,064	855	16,114
Public Health	468	463	(172)	0	759
Learning, Skills and Culture	8,473	1,705	166	0	10,344
Children and Community Resilience	4,505	1,418	(339)	0	5,584
Adult and Community Wellbeing	5,177	1,575	(1,809)	0	4,943
Schools	(115)	3,375	21	0	3,281
Net Cost of Services	**33,605**	**12,064**	**(506)**	**(7,597)**	**37,566**
Other income and expenditure from the EFA	(27,499)	6,165	5,045	7,597	(8,692)
Difference between General Fund surplus or deficit and CIES surplus or deficit on the Provision of Services	**6,106**	**18,229**	**4,539**	**0**	**28,874**

*During 2018/2019 some of the management accountabilities changed. In order to make the years comparable, the 2017/2018 figures have been restated to reflect the 2018/2019 changes.

Adjustments for Capital Purposes – include the charge to services for depreciation, impairment and revaluation gains and losses.

Net change for the Pensions Adjustments – includes the removal of the employer pension contributions made by the council as allowed by statute and the replacement with current service costs and past service costs, alongside the net interest on the defined benefit liability charged within other income and expenditure.

Other Statutory Adjustments – between amounts charged/credited to the CIES and amounts payable/receivable to be recognised under statute – accumulated absences charges as required by IAS19 to services and adjustments involving the amount by which council tax and NDR income credited to the Comprehensive Income and Expenditure Statement is different from the amount calculated in accordance with statutory requirements.

Other Non-Statutory Adjustments – represents amounts charged/credited to service segments which need to be adjusted against the 'Other income and expenditure from the Expenditure and Funding Analysis' line to comply with the presentational requirements in the Comprehensive Income and Expenditure Statement – e.g. interest income and expenditure, changes in the fair values of investment properties, trading operations and non-ring-fenced government grants.

Segmental Income

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

	2018/19 Revenue from External Customers £000	2017/18 Revenue from External Customers £000
Business Development	(8,406)	(9,237)
Governance and Partnerships	(3,706)	(3,859)
Operations	(9,212)	(5,496)
Public Health	(71)	(484)
Learning, Skills and Culture	(5,844)	(6,213)
Children and Community Resilience	(773)	(1,535)
Adult and Community Wellbeing	(10,056)	(12,352)
Schools	(1,449)	(1,581)
Total income analysed on a segmental basis	**(39,517)**	**(40,757)**

*During 2018/2019 some of the management accountabilities changed. In order to make the years comparable, the 2017/2018 figures have been restated to reflect the 2018/2019 changes.

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

Note 8 Expenditure and Income Analysed by Nature

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

	2018/2019 £000	2017/2018 £000
Expenditure/Income		
Expenditure		
Employee benefits expenses	163,983	163,446
Other services expenses	184,189	189,879
Depreciation, amortisation, impairment	19,674	15,637
Interest payments	5,992	5,832
Precepts and levies	2,827	2,711
(Gain)/Loss on the disposal of assets	8,370	1,895
Other Expenditure (REFCUS)	10,766	7,798
Total expenditure	**395,801**	**387,198**
Income		
Fees, charges and other service income	(39,922)	(41,070)
Interest and investment income	(128)	(32)
Income from council tax, non-domestic rates income	(127,534)	(97,875)
Government grants and contributions	(186,985)	(200,820)
Other Income	(7,749)	(18,527)
Total income	**(362,318)**	**(358,324)**
Surplus or Deficit on the Provision of Services	**33,483**	**28,874**

Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations

2018/2019	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)	19,898			(19,898)
Council tax and NDR (transfers to or from the Collection Fund)	(14,493)			14,493
Holiday pay (transferred to the Accumulated Absences reserve)	(197)			197
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)	42,704			(42,704)
Total Adjustments to Revenue Resources	**47,912**	**0**	**0**	**(47,912)**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(5,117)	5,117		0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	208	(208)		0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	(195)			195
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(4,764)			4,764
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(223)			223
Total Adjustments to Revenue Resources	**(10,091)**	**4,909**	**0**	**5,182**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		(5,079)		5,079
Application of capital grants to finance capital expenditure	(5,079)		883	4,196
Cash payments in relation to deferred capital receipts		48		(48)
Total Adjustments to Capital Resources	**(5,079)**	**(5,031)**	**883**	**9,227**
Total Adjustments	**32,742**	**(122)**	**883**	**(33,503)**

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)**

Note 10 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund Expenditure in 2018/2019.

	2017/2018				2018/2019		
	Balance as at 1 April 2017 £000	Transfers In £000	Transfers Out £000	Balance as at 31 March 2018 £000	Transfers In £000	Transfers Out £000	Balance as at 31 March 2019 £000
General Fund:							
Risk and Transformation Reserve	13,194	1,075	0	**14,269**	2,297	0	**16,566**
Revenue Grants	6,251	3,783	(2,223)	**7,811**	1,175	(4,031)	**4,955**
Schools Delegated Reserve	1,074	605	(44)	**1,635**	1,318	(13)	**2,940**
Dedicated Schools Grant	2,366	1,015	(1,614)	**1,767**	1,335	(1,614)	**1,488**
Public Health	2,235	901	(1,319)	**1,817**	0	(405)	**1,412**
NNDR Levy Redistribution	0	0	0	**0**	500	0	**500**
Self-Insurance	284	0	0	**284**	0	0	**284**
Safety Camera Partnership	1,257	0	(988)	**269**	0	0	**269**
Legal NLC Elections	0	240	0	**240**	0	0	**240**
Scunthorpe Special Expenses	206	43	(16)	**233**	44	(50)	**227**
Commuted Sums	286	1	(128)	**159**	67	0	**226**
Dedicated Schools Grant-De-delegated	182	0	0	**182**	28	0	**210**
Planning Improvements	0	0	0	**0**	205	0	**205**
Licensing	53	46	0	**99**	23	0	**122**
Finance Systems Implementation	50	0	0	**50**	0	0	**50**
Shared Service Development	75	0	(37)	**38**	0	0	**38**
Crematorium Enhancement Fund	7	9	0	**16**	0	0	**16**
NNDR Smoothing Reserve	0	1,116	0	**1,116**	0	(1,116)	**0**
Property Trading Account	257	0	0	**257**	0	(257)	**0**
ICT Microsoft Enterprise Agreement	0	175	0	**175**	0	(175)	**0**
Community Grants	0	72	0	**72**	0	(72)	**0**
Organisational Development Programme	100	0	(100)	**0**	0	0	**0**
Total Earmarked Reserves	**27,877**	**9,081**	**(6,469)**	**30,489**	**6,992**	**(7,733)**	**29,748**

Risk and Transformation Reserve

This reserve is held for two main purposes:-

- To give the council sufficient resilience to withstand funding or expenditure shocks. These include risks associated with funding, increased demand, delayed savings and the costs of self-insurance.
- To facilitate transformation and transition to a lower cost council

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.

Note 11 Other Operating Expenditure

	2018/2019 £000	2017/2018 £000
Levies	1,495	1,298
Parish council precepts	1,332	1,413
(Gains)/losses on the disposal of non-current assets	8,370	1,895
Total	**11,197**	**4,606**

Note 12 Financing and Investment Income and Expenditure

	2018/2019 Net £000	2017/2018 Net £000
Interest payable and similar charges	5,992	5,832
Net interest on the net defined benefit liability (asset)	6,401	6,166
Interest receivable and similar income	(128)	(32)
Income and expenditure in relation to investment properties and changes in their fair value	(6,674)	(6,023)
Other investment income (see note 29)	7,834	636
Total	**13,425**	**6,579**

Note 13 Taxation and Non-specific Grant Income and Expenditure

Taxation and Non-Specific Grant Income and Expenditure	2018/2019 £000	2017/2018 £000
Council Tax Income	(72,075)	(67,310)
Non Domestic Rates Income and Expenditure	(55,459)	(30,565)
Non-ring-fenced government grants	(6,814)	(24,507)
Capital Grants and Contributions and Donations	(20,589)	(23,370)
Total	**(154,937)**	**(145,752)**

In 2018/2019 the council is part of the Lincolnshire Pool Pilot, with 99% retention of NNDR, this is for one year only.

Note 14 Property, Plant and Equipment

Current Year

	Property, Plant & Equipment (PP&E)						
	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	PP&E Under Construction £000	Surplus Assets £000	**Total PP&E £000**
Cost or Valuation							
Balance as at 1 April 2018	**390,896**	**13,343**	**133,351**	**4,630**	**20,157**	**13,189**	**575,566**
Additions	5,656	3,343	17,407	38	14,439	19	**40,902**
Donations	600	0	0	0	0	0	**600**
Revaluation increases/decreases to Revaluation Reserve	(6,838)	0	0	0	0	0	**(6,838)**
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(22,368)	0	0	0	0	0	**(22,368)**
De-recognition - Disposals	(9,641)	(841)	0	0	0	(830)	**(11,312)**
De-recognition - Other		0	0	0	0	0	**0**
Reclassifications & Transfers	16,172	0	0	6,854	(16,345)	46	**6,727**
Reclassified to/from Held for Sale	(2,051)	0	0	0	0	(9,811)	**(11,862)**
Other movements	0	0	0	0	0	0	**0**
Balance as at 31 March 2019	**372,426**	**15,845**	**150,758**	**11,522**	**18,251**	**2,613**	**571,415**
Depreciation and Impairment							
Balance as at 1 April 2018	**(22,324)**	**(7,562)**	**(42,304)**	**(946)**	**(2)**	**(852)**	**(73,990)**
Depreciation Charge	(10,496)	(1,362)	(8,044)	(244)	0	(3)	**(20,149)**
Depreciation written out on Revaluation Reserve	5,283	0	0	0	0	0	**5,283**
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	1,573	0	0	0	0	0	**1,573**
Impairment losses/reversals to Revaluation Reserve	1,098	0	0	(2)	0	0	**1,096**
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	723	0	0	(13)	0	0	**710**
De-recognition - Disposals	427	762	0	0	0	830	**2,019**
De-recognition - Other	0	0	0	0	0	0	**0**
Reclassifications & Transfers	548	0	0	(539)	1	(10)	**0**
Eliminated on reclassification to Held for Sale	61	0	0	0	0	18	**79**
Balance as at 31 March 2019	**(23,107)**	**(8,162)**	**(50,348)**	**(1,744)**	**(1)**	**(17)**	**(83,379)**
Net Book Value							
Balance as at 31 March 2019	**349,319**	**7,683**	**100,410**	**9,778**	**18,250**	**2,596**	**488,036**
Balance as at 31 March 2018	**368,572**	**5,781**	**91,047**	**3,684**	**20,155**	**12,337**	**501,576**

Comparator Year

	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Property, Plant & Equipment (PP&E) Infrastructure Assets £000	Community Assets £000	PP&E Under Construction £000	Surplus Assets £000	**Total PP&E £000**
Cost or Valuation							
Balance as at 1 April 2017	**389,888**	**12,244**	**119,236**	**4,107**	**5,318**	**7,942**	**538,735**
Additions	7,690	1,211	14,115	183	16,004	17	**39,220**
Donations	0	0	0	0	0	0	**0**
Revaluation increases/decreases to Revaluation Reserve	7,271	0	0	0	0	140	**7,411**
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(16,339)	0	0	0	0	(355)	**(16,694)**
De-recognition - Disposals	(1,016)	(112)	0	(3)	0	(60)	**(1,191)**
De-recognition - Other	0	0	0	0	0	0	**0**
Reclassifications & Transfers	3,495	0	0	353	(1,165)	1,306	**3,989**
Reclassified to/from Held for Sale	(94)	0	0	(10)	0	4,199	**4,095**
Other movements	1	0	0	0	0	0	**1**
Balance as at 31 March 2018	**390,896**	**13,343**	**133,351**	**4,630**	**20,157**	**13,189**	**575,566**
Depreciation and Impairment							
Balance as at 1 April 2017	**(36,697)**	**(6,432)**	**(35,069)**	**(793)**	**(26)**	**(841)**	**(79,858)**
Depreciation Charge	(11,176)	(1,213)	(7,235)	(146)	0	(5)	**(19,775)**
Depreciation written out on Revaluation Reserve	20,828	0	0	0	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**
Impairment losses/reversals to Revaluation Reserve	(401)	0	0	0	0	0	**(401)**
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	3,179	0	0	0	0	(17)	**3,162**
De-recognition - Disposals	402	83	0	0	0	0	**485**
De-recognition - Other	0	0	0	0	0	0	**0**
Reclassifications & Transfers	(13)	0	0	(7)	24	11	**15**
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0	**0**
Balance as at 31 March 2018	**(22,324)**	**(7,562)**	**(42,304)**	**(946)**	**(2)**	**(852)**	**(73,990)**
Net Book Value							
Balance as at 31 March 2018	**368,572**	**5,781**	**91,047**	**3,684**	**20,155**	**12,337**	**501,576**
Balance as at 31 March 2017	**353,191**	**5,812**	**84,167**	**3,314**	**5,292**	**7,101**	**458,877**

Depreciation

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

- Other Land and Buildings – 1–99 years
- Vehicles, Plant, Furniture & Equipment – 1-30 years
- Infrastructure – straight-line allocation over the useful life of the property as estimated by a suitably qualified officer

Capital Commitments

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

- Lincolnshire Lakes Flood Defence - £2m
- Scunthorpe Market - £1.4m
- Baysgarth Leisure Centre – Barton Well Being Hub - £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 current 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 current value of the asset at the time of valuation (5-year rolling programme).

	Land and Buildings	Vehicles, Plant & Equipment	Surplus Assets	Other PPE	Total PPE
Carried at historical cost	0	7,683	0	128,438	136,121
Valued at current value as at:					
01/04/2018	50,364	0	0	0	50,364
Indexation	3,792	0	0	0	3,792
01/04/2017	281,560	0	835	0	282,395
01/04/2016	2,451	0	1,147	0	3,598
01/04/2015	8,555	0	350	0	8,905
01/04/2014	2,597	0	264	0	2,861
Total Cost or Valuation	**349,319**	**7,683**	**2,596**	**128,438**	**488,036**

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 2019 are as follows:

	2018/2019			2017/2018	
Recurring fair value measurements using:	Inputs other than quoted prices (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value £000	Significant unobservable inputs (Level 3) £000	Fair Value £000
Surplus Assets:					
All Surplus Assets	0	2,596	**2,596**	12,337	12,337
Total Surplus Assets	**0**	**2,596**	**2,596**	**12,337**	**12,337**
Investment Properties:					
Office Units	1,570	0	**1,570**	105	105
Commercial Units	52,333	750	**53,083**	50,558	50,558
Agricultural Units	0	756	**756**	0	0
Total Investment Properties	**53,903**	**1,506**	**55,409**	**50,663**	**50,663**

Determined value level, valuation process and techniques

With a small number of exceptions, the Council's Assets where valued to Fair Value, are categorised as Level 2 on the Fair Value Hierarchy. This was the consensus of the internal and external valuers. Level 2 inputs are inputs that are observable for the asset, either directly or indirectly. The inputs used took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.

All valuations have been undertaken using the combined resource of internal and external valuers, 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 Council's PPE assets have been valued to Current Value (Existing Use Value). The valuations are based on an analysis of market comparables in the area for similar properties disregarding any potential alternative uses in accordance with the EUV definition.

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 2 and 3	2018/2019 Level 3 Surplus Assets £000	2018/2019 Level 2 Investment Properties £000	2018/2019 Level 3 Investment Properties £000	2017/2018 Level 3 Surplus Assets £000	2017/2018 Level 3 Investment Properties £000
Opening Balance	12,337	0	50,663	7,101	53,143
Reclassifications in at Level 3	56	491	0	5,516	0
Reclassifications out of at Level 3	(9,813)	(7,293)	0	0	(4,334)
Transfers into Level 2	0	48,665	0	0	0
Transfers out of Level 3	0	0	(48,665)	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	(3)	4,432	(452)	(237)	2,417
Additions	19	8,582	0	17	109
Disposals	0	(974)	(40)	(60)	(672)
Closing Balance	**2,596**	**53,903**	**1,506**	**12,337**	**50,663**

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	2018/2019 £000	Valuation technique used to measure fair value	Unobservable inputs	Sensitivity
Surplus Assets:				
Land	2,543	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	53	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				
Office Units	1,570	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
Industrial and commercial units	53,083	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	756	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

	2018/2019 Civic Regalia £000	2018/2019 Other Heritage Assets £000	2018/2019 Total Assets £000	2017/2018 Civic Regalia £000	2017/2018 Other Heritage Assets £000	2017/2018 Total Assets £000
Cost or Valuation						
Balance as at 1 April	93	1,159	**1,252**	159	880	**1,039**
Additions	0	37	**37**	0	4	**4**
Revaluations	0	0	**0**	(66)	275	**209**
Balance as at 31 March	**93**	**1,196**	**1,289**	**93**	**1,159**	**1,252**

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

Other Heritage Assets
This category includes the exhibits on display and in storage at Scunthorpe Museum and Normanby Hall, as well as war memorials around the county and a Sculpture within the centre of Scunthorpe.

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

	2018/2019 £000	2017/2018 £000
Rental income from investment property	(4,976)	(4,392)
Direct operating expenses arising from investment property	1,476	1,339
Net (Gain)/Loss	**(3,500)**	**(3,053)**

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:

	2018/2019 £000	2017/2018 £000
Balance at start of the year	50,663	53,143
Additions:		
- Purchases	8,582	0
- Subsequent expenditure	0	109
Disposals	(1,014)	(672)
Net (gains)/losses from fair value adjustments	3,978	2,417
Transfers:		
- to/from Assets Held for Sale	(75)	(344)
- to/from Property, Plant and Equipment	(6,726)	(3,989)
Other changes	1	(1)
Balance at end of the year	**55,409**	**50,663**

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 – 5 and 3 years
- Electronic Document management – 5 years
- Carefirst – 5 years

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £284k charged to revenue in 2018/2019 was charged to Governance and Partnerships in the Cost of Services.

	2018/2019 £000	2017/2018 £000
Balance at start of the year	1,330	1,044
Accumulated Amortisation	(364)	(291)
Net carrying amount at start of year	**966**	**753**
Additions:		
- Purchases	357	402
- Other Movements	0	1
Disposals	(107)	(117)
Amortisation for the period	(284)	(190)
Amortisation written off on disposal	25	117
Net carrying amount at the end of the year	**957**	**966**
Comprising:		
- Gross carrying amounts	1,579	1,330
- Accumulated amortisation	(622)	(364)
	957	**966**

Note 18 Financial Instruments

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

	Long-term		Current	
	2018/2019 £000	2017/2018 £000	2018/2019 £000	2017/2018 £000
Financial Assets				
Unquoted equity investment at cost	0	64	0	0
Loans and receivables	354	366	24	35
Debtors carried at amortised cost	0	0	24,394	20,378
Total Financial Assets	**354**	**430**	**24,418**	**20,413**
Financial Liabilities				
Borrowings at amortised cost	148,840	156,591	46,860	33,209
Creditors carried at amortised cost	0	0	22,813	34,048
Total Financial Liabilities	**148,840**	**156,591**	**69,673**	**67,257**

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

	2018/2019 Liabilities measured at amortised cost £000	2017/2018 Liabilities measured at amortised cost £000
Interest expense	5,992	5,832
Total expense in Surplus or Deficit on the Provision of Services	**5,992**	**5,832**

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

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

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

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

- For loans from the PWLB payable, PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures
- For non-PWLB loans payable, as market lenders to the sector compete with PWLB their rates have to be comparable, therefore PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

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

	2018/2019 Carrying amount £000	2018/2019 Fair value £000	2017/2018 Carrying amount £000	2017/2018 Fair value £000
Financial liabilities:				
PWLB	153,591	198,004	146,763	184,409
Other Borrowing	40,000	40,252	43,037	43,888
Total	**193,591**	**238,256**	**189,800**	**228,297**

Fair value hierarchy:

	2018/2019 Quoted prices in active markets for identical assets / liabilities (level 1) £000	2017/2018 Quoted prices in active markets for identical assets / liabilities (level 1) £000
Financial Liabilities		
PWLB	198,004	184,409
Other Borrowing	40,252	43,888
Total	**238,256**	**228,297**

Note 19 Nature and Extent of Risks Arising from Financial Instruments

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

- 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 deposits 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 and time limits with a financial institution located within each category.

The council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy approved by Full Council on 1 March 2018. These include commercial entities with a minimum long-term credit rating of A- and the UK government. Recognising that credit ratings are imperfect predictors of default, the council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

The council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. 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 2019 that this was likely to crystallise.

Liquidity Risk

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

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

	2018/2019 £000	2017/2018 £000
Less than 1 year	44,751	33,209
Between 1 and 2 years	4,595	20,505
Between 2 and 5 years	17,941	14,496
Between 5 and 10 years	46,042	43,719
Between 10 and 20 years	59,619	62,743
Over 20 years	20,643	15,128
	193,591	**189,800**

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.

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

Price risk

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

This will typically only apply where an investment is held as fair value through profit and loss or fair value through other comprehensive income.

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.

Note 20 Debtors

	Long term debtors 2018/2019 £000	Long term debtors 2017/2018 £000	Short term debtors 2018/2019 £000	Short term debtors 2017/2018 £000
Central Government Bodies	0	0	1,896	4,717
Other Local Authorities	0	0	990	1,796
NHS Bodies	0	0	1,281	2,422
Other entities and individuals	0	0	21,412	12,438
Prepayments	0	0	1,327	1,124
Impairment of loans and receivables	0	0	(2,512)	(2,119)
Loans and Advances	354	366	24	35
Total of Financial Instruments	**354**	**366**	**24,418**	**20,413**
NDR & Council Tax	0	0	9,079	20,620
Value Added Tax	0	0	4,719	3,407
Non-Financials Instruments	**0**	**0**	**13,798**	**24,027**
	354	**366**	**38,216**	**44,440**

A breakdown of the local taxation (council tax and non-domestic rates), in the table above, can be seen in the table below, analysed by age. The analysis only shows those balances where assessment has indicated that, by exception, no impairment is required. The amounts due, but not impaired, for local taxation is analysed as follows:

	2018/2019 £000	2017/2018 £000
Major Preceptors, not past due	965	14,121
1 year	5,300	4,292
1 – 2 years	1,532	1,223
2 – 3 years	918	655
3 – 4 years	364	329
	9,079	**20,620**

Note 21 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:

	2018/2019 £000	2017/2018 £000
Cash and Bank balances	(323)	(1,211)
Short Term Investments	12,998	16,896
Total	**12,675**	**15,685**

Note 22 Assets Held for Sale

These assets are being actively marketed for sale:

	2018/2019 £000	2017/2018 £000
Balance outstanding at start of year	**6,693**	**13,586**
Additions	33	122
Transferred from Non-Current Assets during year:		
- Property Plant and Equipment	11,954	1,135
Revaluation losses	0	0
Depreciation written out to Surplus/Deficit	82	88
Revaluation gains	(4,703)	1,566
Impairment gains/losses to revenue	99	1,166
Impairment gains/losses to revaluation reserve	0	0
Assets declassified as held for sale to PPE	(96)	(4,900)
Assets sold	(3,890)	(6,070)
Balance outstanding at year-end	**10,172**	**6,693**

Note 23 Creditors

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

Short Term Creditors	2018/2019 £000	2017/2018 £000
Central government bodies	4,697	3,939
Other local authorities	447	592
NHS bodies	254	645
NNDR & Council Tax	3,823	16,797
Accumulated Absences	2,148	2,344
Bodies external to general government	11,444	9,731
Total Short Term Creditors	**22,813**	**34,048**

Note 24 Provisions

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

	Balance as at 1 April 2018 £000	Increase in provision during year £000	Utilised during year £000	Change in Council Share £000	Unused Amounts Reversed £000	Balance as at 31 March 2019 £000	Estimated to be settled: Current Provision £000	Long Term Provision £000
NNDR Appeals	9,088	0	(4,108)	9,318	(333)	13,965	2,900	11,065
Insurance Claims	1,548	515	(401)	0	(53)	1,609	589	1,020
Municipal Mutual	59	0	0	0	(59)	0	0	0
Other	27	0	0	0	0	27	27	0
	10,722	**515**	**(4,509)**	**9,318**	**(445)**	**15,601**	**3,516**	**12,085**

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). In 2018/2019 the council is part of the Lincolnshire Pool pilot and as such, is responsible for 99% of the provision (rather than 49% in 2017/2018). The figure of £13.9m is the council's share of the full £14.1m 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

Following a review of the council's provisions by an external actuary, the decision was made that this provision was no longer required.

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 25 Unusable Reserves

Unusable Reserves

	2018/2019 £000	2017/2018 £000
Capital Adjustment Account	199,402	220,655
Revaluation Reserve	121,643	129,291
Deferred Capital Receipts Reserve	459	312
Pensions Reserve	(296,067)	(230,545)
Collection Fund Adjustment Account	5,816	(8,677)
Accumulated Compensated Absences Adjustment Account	(2,148)	(2,345)
Total Unusable Reserves	**29,105**	**108,691**

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 additions to those assets under statutory provisions. The account is debited with the cost of acquisition, construction or subsequent costs 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 subsequent costs.

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the council.

The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

	2018/2019		2017/2018	
	£000	£000	£000	£000
Balance at 1 April		**220,655**		**223,421**
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	(19,390)		(15,468)	
Revaluation losses on Property, Plant and Equipment	(25,416)		(13,465)	
Amortisation of Intangible Assets	(284)		(190)	
Revenue expenditure funded from capital under statute (REFCUS)	(2,824)		(5,988)	
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	(14,278)		(7,448)	
		(62,192)		**(42,559)**
Adjusting amounts written out of the Revaluation Reserve		7,189		6,862
Net written out amount of the cost of non-current assets consumed in the year		**(55,003)**		**(35,697)**
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	5,079		7,141	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	14,910		16,592	
Application of grants to capital financing from the Capital Grants Unapplied Account	4,196		2,223	
Statutory provision for the financing of capital investment charged against the General Fund balance	4,764		4,349	
Capital expenditure charged against the General Fund balance	223		209	
		29,172		**30,514**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		3,978		2,417
Donated Asset credited to the Comprehensive Income and Expenditure Statement		600		0
Balance at 31 March		**199,402**		**220,655**

Revaluation Reserve

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

The balance is reduced when assets with accumulated gains are:

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

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

	2018/2019 £000	2017/2018 £000
Balance at 1 April	**129,291**	**108,106**
Net revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(459)	28,047
Difference between fair value depreciation and historical cost depreciation	(3,548)	(3,865)
Revaluation balances on assets scrapped or disposed of	(3,641)	(2,997)
Amount written off to the Capital Adjustment Account	**(7,189)**	**(6,862)**
Balance at 31 March	**121,643**	**129,291**

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.

	2018/2019 £000	2017/2018 £000
Balance at 1 April	**312**	**678**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	195	168
Transfer to the Capital Receipts Reserve upon receipt of cash	(48)	(534)
Balance at 31 March	**459**	**312**

Pensions Reserve

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

	2018/2019 £000	2017/2018 £000
Balance at 1 April	**(230,545)**	**(231,303)**
Re-measurements of the net defined benefit liability/(asset)	(45,624)	18,987
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	(37,210)	(35,768)
Employers pensions contributions and direct payments to pensioners payable in the year	17,312	17,539
Balance at 31 March	**(296,067)**	**(230,545)**

Collection Fund Adjustment Account

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

	2018/2019 £000	2017/2018 £000
Balance at 1 April	**(8,677)**	**(1,711)**
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	14,493	(6,966)
Balance at 31 March	**5,816**	**(8,677)**

Accumulated Absences Account

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

	2018/2019 £000	2017/2018 £000
Balance at 1 April	**(2,345)**	**(2,162)**
Settlement or cancellation of accrual made at the end of the preceding year	2,345	2,162
Amounts accrued at the end of the current year	(2,148)	(2,345)
Balance at 31 March	**(2,148)**	**(2,345)**

Note 26 Cashflow from Operating Activities

The cash flows for operating activities include the following items:

	2018/2019 £000	2017/2018 £000
Interest Paid	(5,666)	(4,137)
Interest Received	128	32

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

	2018/2019 £000	2017/2018 £000
Adjustment to surplus or deficit on the provision of services for noncash movements		
Depreciation	19,390	15,468
Impairment & downward valuations	25,416	13,465
Amortisation	284	190
Increase/(Decrease) in impairment for bad debts	393	(49)
(Increase)/Decrease in Inventories	(97)	126
(Increase)/Decrease in Debtors	(419)	(11,054)
Increase/(Decrease) in Creditors	(5,586)	534
Movement in pension liability	19,898	18,229
Carrying amount of non-current assets sold	14,278	7,448
Movement in provisions	4,879	4,474
Movement in value of investments properties	(3,914)	(2,417)
	74,522	**46,414**
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	(5,104)	(6,106)
Capital grants include in Taxation & non-specific grant income	(19,989)	(23,370)
	(25,093)	**(29,476)**

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:

	2018/2019 £000	2017/2018 £000
Purchase of PP&E, investment property and intangible assets	(44,348)	(39,188)
Proceeds from the sale of PP&E, investment property and intangible assets	(1,736)	4,757
Capital Grants and Contributions Received	19,989	23,370
Net Cash flows from Investing Activities	**(26,095)**	**(11,061)**

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:

	2018/2019 £000	2017/2018 £000
Appropriation to/from Collection Fund Adjustment Account	(14,493)	6,966
Cash Receipts of short and long term borrowing	53,000	83,906
Repayment of Short and Long Term Borrowing	(47,362)	(57,413)
Council Tax and NNDR Adjustments	15,994	1,671
Net Cash flows from Financing Activities	**7,139**	**35,130**

Reconciliation of Liabilities Arising from Financing Activities

		Cash Changes	**Non-Cash Changes**		
	Balance as 1-Apr-2018 £000	Financing Cash Flows £000	Movement from long-term to short-term £000	Interest Accruals £000	Balance at 31-Mar-2019 £000
Long-term Borrowings	156,591	8,638	(16,389)	0	148,840
Short-term Borrowings	33,209	(3,000)	16,389	262	46,860
Total Liabilities from Financing Activities	**189,800**	**5,638**	**0**	**262**	**195,700**

Note 29 Trading Operations

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

	2018/2019			2017/2018		
	Expenditure £000	Income £000	Net Expenditure/ (Income) £000	Expenditure £000	Income £000	Net Expenditure/ (Income) £000
Fleet Management & Maintenance	5,414	(5,652)	**(238)**	4,883	(5,741)	**(858)**
Catering	5,850	(4,589)	**1,261**	6,117	(5,268)	**849**
Markets	7,006	(653)	**6,353**	529	(486)	**43**
Building Control	476	(339)	**137**	545	(419)	**126**
Building Cleaning/ Maintenance	2,036	(1,715)	**321**	2,141	(1,665)	**476**
Total	**20,782**	**(12,948)**	**7,834**	**14,215**	**(13,579)**	**636**

During 2018/2019 a significant capital project was carried to create a new location for the Scunthorpe Market. This has led to £6m in capital costs showing against the Markets' trading operation.

Note 30 Pooled Budgets

North Lincolnshire Council and North Lincolnshire Clinical Commissioning Group (CCG) are involved in a pooled budget scheme for the Better Care Fund.

With effect from 2018/2019, the Learning Disability and Mental Health budgets are no longer run as formal pooled budgets.

The Better Care Fund is a government plan to integrate health and social care by 2020, which is implemented via a Section 75 pooled budget arrangement. This council is a partner within the pooled budget with the North Lincolnshire CCG (NLCCG).

This funding requires the council and its health partners to agree how the money should be used to support social care activity that also has a health benefit. In accordance with national requirements NLC submitted its better care plan as to how it would use funding to improve its citizen's lives, and monitoring reports detailing progress continue to be submitted by NLCCG to NHS England.

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

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

Funding of services to support these performance metrics focuses on supporting elderly service users, rapid response and reablement services to prevent people from needing to access hospital care.

2017/2018				2018/2019
Learning Disability £000	Mental Health £000	Better Care Funds £000		Better Care Funds £000
			Funding provided to the pooled budget:	
8,322	1,760	5,641	The Authority	7,155
412	11,675	9,905	The CCG	11,337
8,734	**13,435**	**15,546**		**18,492**
			Expenditure met from the pooled budget:	
8,440	3,022	9,519	The Authority	14,597
616	11,675	3,475	The CCG	3,475
9,056	**14,697**	**12,994**		**18,072**
(322)	**(1,262)**	**2,552**	**Net surplus/(deficit) arising on the pooled budget during the year**	**420**

Note 31 Members' Allowances

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

	2018/2019 £000	2017/2018 £000
Allowances	537	536
Expenses	29	30
	566	**566**

Note 32 Officers' Remuneration

Senior Officer Remuneration

		Basic Salary £	Salary Supplement £	Contribution to Pension Fund £	Total
Chief Executive (Head of Paid Service)	**2018/2019**	**148,349**	**8,901**	**23,746**	**180,996**
(formerly Executive Director: People and Transformation)	2017/2018	145,440	8,726	23,289	177,455
Deputy Chief Executive	**2018/2019**	**139,077**	**8,345**	**21,835**	**169,257**
(formerly Executive Director: Commercial)	2017/2018	136,350	8,181	21,407	165,938
Director of Adults & Community Well-being	**2018/2019**	**97,869**	**5,872**	**15,365**	**119,106**
	2017/2018	95,950	5,757	15,064	116,771
Director of Business Development	**2018/2019**	**88,268**	**5,296**	**13,858**	**107,422**
	2017/2018	84,992	5,100	13,344	103,436
Director of Children & Community Resilience	**2018/2019**	**101,475**	**6,089**	**15,932**	**123,496**
	2017/2018	99,485	6,594	15,717	121,796
Director of Governance and Partnerships (Chief Financial Officer)	**2018/2019**	**88,268**	**5,296**	**13,858**	**107,422**
	2017/2018	84,992	5,100	13,344	103,436
Director of Learning, Skills & Culture	**2018/2019**	**93,748**	**5,625**	**14,718**	**114,091**
	2017/2018	91,910	5,515	14,430	111,855
Director of Operations	**2018/2019**	**91,420**	**5,485**	**14,353**	**111,258**
	2017/2018	89,627	7,551	14,071	111,249
Director of Public Health	**2018/2019**	**91,800**	**5,508**	**13,201**	**110,509**
	2017/2018	80,323	4,819	11,550	96,692
Head of Legal and Democracy (Monitoring Officer)	**2018/2019**	**60,867**	**3,652**	**9,556**	**74,075**
	2017/2018	59,674	3,580	9,369	72,623

Senior Employee Remuneration

The council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

	2018/2019 Total	2017/2018 Total
£50,001 to £55,000	59	55
£55,001 to £60,000	35	27
£60,001 to £65,000	26	19
£65,001 to £70,000	13	17
£70,001 to£ 75,000	10	10
£75,001 to £80,000	2	2
£80,001 to £85,000	2	1
£85,001 to £90,000	1	1
£90,001 to £95,000	2	2
£95,001 to £100,000	1	2
£100,001 to £105,000	1	1
£105,001 to £110,000	1	1
£110,001 to £115,000	1	0
	154	**138**

Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below (excluding any Senior Officers which are listed individually above):

	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018
								£000
£0-£20,000	24	31	23	42	47	73	267	335
£20,001 - £40,000	2	0	6	5	8	5	204	141
£40,001 - £160,000	1	2	4	4	5	6	345	400
Total cost included in CIES							**816**	**876**

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

Current year auditors – Mazars	2018/2019 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	80
Fees payable in respect of grant claims during the year	8
Fees payable in respect of other services provided during the year	0
	88

Prior year auditors – KPMG	2017/2018 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	108
Fees payable in respect of grants during the year	28
Fees payable in respect of other services provided during the year	0
	136

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 2018. The Schools Budget includes elements for a range of educational services provided on a council-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Distribution of DSG receivable for 2018/2019 is as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2018/2019 before Academies recoupment	23,638	106,030	129,668
Academy figure recouped for 2018/2019	(516)	(48,110)	(48,626)
Total DSG after academy recoupment for 2018/2019	**23,122**	**57,920**	**81,042**
Plus: Brought forward from 2017/2018	1,767	0	1,767
Less: Carry forward to 2019/2020 (agreed in advance)	(881)	0	(881)
Agreed initial budgeted distribution in 2018/2019	**24,008**	**57,920**	**81,928**
In year adjustments	(429)	0	**(429)**
Final budget distribution for 2018/2019	**23,579**	**57,920**	**81,499**
Less: Actual central expenditure	(22,973)		(22,973)
Less: Actual ISB deployed to schools		(57,920)	(57,920)
Plus: Carry Forward (agreed in advance)	881	0	**881**
Carry forward to 2019/2020	**1,487**	**0**	**1,487**

Note 35 Grant Income

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

	Note	2018/2019 £000	2017/2018 £000
Credited to Taxation and Non-Specific Grant Income			
Revenue Support Grant	13	0	(14,291)
Improved Better Care Fund	13	0	(3,703)
Other non-ring-fenced grants	13	(43)	(1,162)
Adult Social Care Support Grant	13	(476)	(764)
New Homes Bonus	13	(956)	(2,083)
Business Rates Retention Grant	13	(5,339)	(2,504)
Capital Grants	13	(19,989)	(23,370)
Donations	13	(600)	0
Total		**(27,403)**	**(47,877)**
Credited to Services			
Dedicated Schools Grant		(80,470)	(78,308)
DWP - Rent Allowance Subsidy		(33,688)	(40,131)
Public Health England		(9,315)	(9,561)
Improved Better Care Fund		(5,042)	0
EFA- Pupil Premium		(4,636)	(4,725)
Scunthorpe Steel Support Package		0	(1,080)
EFA – Free School Meals		(1,608)	(1,462)
Skills Funding Agency		(1,234)	(1,457)
Total		**(135,993)**	**(136,724)**

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 the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grant receipts are shown in Note 35.

Members and officers

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid during the year is shown in Note 31. The Register of Members' Interests is available to be viewed on the council's website.

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

	In-Year Expenditure £000	In-Year Income £000	Year-end Creditor £000	Year-end Debtor £000	Number of parties declaring an interest Members	Number of parties declaring an interest Officers
Related Party Interests:						
Works and Services commissioned from companies	307	(156)	0	(70)	9	0
Grants to Voluntary Organisations	187	(40)	0	(6)	23	1
Grant contributions to Charities	388	(6)	0	0	9	1

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

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.

Capital Expenditure and Capital Financing	2018/2019 £000	2017/2018 £000
Opening Capital Financing Requirement	211,565	196,234
Capital Investment		
Property, Plant and Equipment	41,535	39,342
Investment Properties	8,582	109
Intangible Assets	357	402
Heritage Assets	37	4
Revenue Expenditure Funded from Capital under Statute (REFCUS)	10,766	7,798
	61,277	**47,655**
Sources of finance		
Capital receipts	(5,079)	(7,141)
Government grants and other contributions	(27,648)	(20,625)
Sums set aside from revenue:		
Direct revenue contributions	(223)	(209)
Minimum Revenue Provision	(4,764)	(4,349)
	(37,714)	**(32,324)**
Closing Capital Finance Requirement	**235,128**	**211,565**
Explanation of movements in year		
Increase in underlying need to borrow (unsupported by government financial assistance)	23,563	15,331
Increase/(decrease) in Capital Financing Requirement	**23,563**	**15,331**

Note 38 Leases

Operating Leases (council as lessor)

The council 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

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

	2018/2019 Land and Buildings £000	2017/2018 Land and Buildings £000
No later than 1 year	3,670	3,477
Later than 1 year and no later than 5 years	10,807	10,563
Later than 5 years	106,754	100,637
	121,231	**114,677**

Note 39 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 the council is not able to identify its share of the underlying financial position and performance within the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2018/2019, the council paid £4.7m to Teachers’ Pensions in respect of teachers’ retirement benefits, representing 16.5% of pensionable pay. The figures for 2017/2018 were £4.7m and 16.5%. The contributions due to be paid in the next financial year are estimated to be £5.8m. The increase in estimated payments is due to the employer's contribution increase to 23.6% with effect from 1st September 2019.

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 40.

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 2018/2019 the council paid £75k to the NHS Pension Scheme in respect of the retirement benefits of public health staff representing 14.4% of pensionable pay. In 2017/2018 the council paid £84k to the NHS Pension Scheme, representing 14.4% of pensionable pay. Contributions due to be paid in the next financial year are estimated to be £75k.

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

Note 40 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 Fund Regulations.

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

Discretionary Post-retirement Benefits

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

Transactions relating to Post-Employment Benefits

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

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

	Local Government Pension Scheme		Discretionary Benefits	
	2018/2019 £000	2017/2018 £000	2018/2019 £000	2017/2018 £000
Comprehensive Income and Expenditure Statement				
Cost of services:				
Service cost comprising:				
Current service cost	28,732	29,089	0	0
Past service cost	2,267	513	0	0
(Gain)/loss from settlements	(626)	0	0	0
Financing and Investment Income and Expenditure:				
Net Interest expense	6,401	6,166	0	0
Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services	**36,774**	**35,768**	**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)	(26,972)	(2,956)	0	0
Actuarial gains and losses arising on changes in demographic assumptions	0	0	0	0
Actuarial gains and losses arising on changes in financial assumptions	71,905	(17,637)	825	1,094
Other	(134)	512	0	0
Total post-employment benefits charged to the CIES	**81,573**	**15,687**	**825**	**1,094**
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	**(36,774)**	**(35,768)**	**0**	**0**
Actual amount charged against the general fund balance for pensions in the year:				
Employers' contributions payable to scheme	**15,487**	**15,705**		
Retirement benefits payable to pensioners			**1,825**	**1,834**

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme		Discretionary Benefits	
	2018/2019 £000	2017/2018 £000	2018/2019 £000	2017/2018 £000
Present value of the defined obligation	(966,868)	(858,788)	(24,828)	(25,828)
Fair value of plan assets	695,629	654,071	0	0
Net liability arising from the defined benefit obligation	**(271,239)**	**(204,717)**	**(24,828)**	**(25,828)**
Total Liability	**(296,067)**	**(230,545)**		

Reconciliation of movements in the fair value of scheme assets

	Local Government Pension Scheme		Discretionary Benefits	
	2018/2019 £000	2017/2018 £000	2018/2019 £000	2017/2018 £000
Opening fair value of scheme assets	654,071	635,752		
Interest income	17,606	16,503		
Re-measurement gain/(loss):				
the return on plan assets, excluding the amount included in the net interest expense	26,972	2,956		
Other	0	0		
The effect of changes in foreign exchange rates				
Contributions from employer	15,487	15,705	1,825	1,834
Contributions from employees into the scheme	4,514	4,409		
Benefits paid	(22,585)	(21,254)	(1,825)	(1,834)
Other	(436)	0		
Closing value of scheme assets	**695,629**	**654,071**	**0**	**0**

Reconciliation of present value of the scheme liabilities:

	Local Government Pension Scheme		Discretionary Benefits	
	2018/2019 £000	2017/2018 £000	2018/2019 £000	2017/2018 £000
Opening balance at 1 April	(858,788)	(840,487)	(25,828)	(26,568)
Current service cost	(28,732)	(29,089)		
Interest cost	(24,007)	(22,669)		
Contributions from scheme participants	(4,514)	(4,409)		
Re-measurement (gains) and losses:				
Actuarial (gains)/losses from changes in demographic assumptions	0	0		
Actuarial (gains)/losses from changes in financial assumptions	(71,905)	17,637	(825)	(1,094)
Other (if applicable)	134	(512)		
Past service cost	(2,267)	(513)		
Benefits paid	22,585	21,254	1,825	1,834
Liabilities extinguished on settlements	626	0		
Balance as at 31 March	**(966,868)**	**(858,788)**	**(24,828)**	**(25,828)**

Local Government Pension Scheme assets comprised:

	2018/2019 £000	2017/2018 £000
Cash and cash equivalents	27,503	18,497
Equities:		
by industry type		
Consumer	15,430	62,092
Manufacturing	14,989	36,399
Energy and utilities	3,215	34,453
Financial institutions	10,390	28,740
Health and care	6,315	35,237
Information technology	6,868	24,727
Other	350	0
sub-total equity	**57,557**	**221,648**
Bonds:		
by sector		
Corporate (Investment Grade)	9,200	8,906
Corporate (non-Investment Grade)	43,344	35,041
Government	30,512	25,599
Other	18,827	16,751
sub-total bonds	**101,883**	**86,297**
Property:		
by type		
UK Property	82,076	74,001
sub-total property	**82,076**	**74,001**
Private equity		
UK	35,310	29,227
sub-total private equity	**35,310**	**29,227**
Other investment funds:		
Equities	325,976	169,946
Infrastructure	33,716	26,082
Other	31,608	28,373
sub-total other investment funds	**391,300**	**224,401**
Total assets	**695,629**	**654,071**

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated 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 next revaluation is to take place as at 31 March 2019.

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

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

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

Change in assumptions at 31 March 2019	Approximate increase to Employer %	Approximate increase to Employer £000
0.5% decrease in Real Discount Rate	10	100,409
0.5% increase in the Salary Increase Rate	1	14,204
0.5% increase in the Pension Increase Rate	9	84,570

Impact on the Council's Cash Flows

The council's anticipated contributions to the scheme in 2019/2020 is £14.6m.

Note 41 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.

Collection Fund

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

2017/2018 Business Rates £000	2017/2018 Council Tax £000	2017/2018 Total £000	Collection Fund	2018/2019 Business Rates £000	2018/2019 Council Tax £000	2018/2019 Total £000
			INCOME			
	(80,758)	(80,758)	Council Tax Receivable		(86,685)	(86,685)
(82,328)		(82,328)	Business Rates Receivable	(87,682)		(87,682)
			Contribution towards previous year's Business Rates deficit:			
(1,322)		(1,322)	Central Government	(12,695)		(12,695)
(1,296)		(1,296)	Billing Authority	(12,441)		(12,441)
(26)		(26)	Fire Authority	(254)		(254)
(84,972)	**(80,758)**	**(165,730)**	**Total amounts to be credited**	**(113,072)**	**(86,685)**	**(199,757)**
			EXPENDITURE			
			Apportionment of Previous Year Surplus			
		0	Central Government			0
	1,018	1,018	Billing Authority		417	417
	60	60	Fire Authority		24	24
	140	140	Police Authority		56	56
			Precepts, demands and shares			
38,228		38,228	Central Government	0		0
37,463	66,979	104,442	Billing Authority	75,241	70,969	146,210
765	3,859	4,624	Fire Authority	760	4,010	4,770
	9,019	9,019	Police Authority		9,687	9,687
			Charges to Collection Fund			
847	319	1,166	Write-offs of uncollectable amounts	442	293	735
(630)	188	(442)	Increase/(decrease) in allowance for impairment	17	404	421
8,691		8,691	Increase/(decrease) in allowance for appeals	(4,442)		(4,442)
12,748		12,748	Transitional Protection Payments Payable	5,683		5,683
238		238	Charge to General Fund for allowable collection costs for non-domestic rates	237		237
			Other transfers to General Fund in accordance with non-domestic rates regulations			
1,116		1,116	Enterprise Zone Growth	1,038		1,038
2,531		2,531	Renewable Energy	2,806		2,806
101,997	**81,582**	**183,579**	**Total amounts to be debited**	**81,782**	**85,860**	**167,642**
17,025	**824**	**17,849**	**(Surplus) /deficit arising during the year**	**(31,290)**	**(825)**	**(32,115)**
9,183	(1,098)	8,085	(Surplus)/deficit brought forward at 1 April	26,208	(274)	25,934
26,208	**(274)**	**25,934**	**(Surplus)/deficit carried forward at 31 March**	**(5,082)**	**(1,099)**	**(6,181)**

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:

	Valuation Band Limits			Calculated number of dwellings	Ratio to Band D	Equated number of dwellings	Council Tax Payable
A	Up to 40,000			24,361	6/9	16,240.6	1,161.36
B	40,001	-	52,000	12,802	7/9	9,956.8	1,354.92
C	52,001	-	68,000	9,611	8/9	8,542.8	1,548.48
D	68,001	-	88,000	6,823	9/9	6,823.0	1,742.04
E	88,001	-	120,000	3,444	11/9	4,208.8	2,129.16
F	120,001	-	160,000	1,409	13/9	2,034.7	2,516.28
G	160,001	-	320,000	457	15/9	761.7	2,903.40
H	More than 320,001			11	18/9	22.7	3,484.09
						48,591.1	
				Adjustment for MOD Properties		11.0	
						48,602.1	

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

(i) Preceptors' Council Tax Requirements	£84,666,937
(ii) Number of Band D equivalent Dwellings	48,602.1
Band D - (i) divided by (ii)	£1,742.04

Collection Fund Note 2 – Non-Domestic Rates

Non-Domestic Rates are determined on a national basis by central government which specifies a rating multiplier and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. In 2018/2019 the amount was 49.3p (47.9p in 2017/2018) and 48.0p for small businesses (46.6p in 2017/2018).

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 2019 was £196,479,201 (as at 31 March 2018, it was £195,969,086).

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)
Standards 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.