



# North Lincolnshire Council Statement of Accounts

FINANCIAL YEAR 2016/2017

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## Narrative Statement

These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/2017 (the Code). The purpose of this narrative statement is to explain, in an easy to understand way, the financial facts in relation to the council.

This Statement of Accounts explains North Lincolnshire Council's finances during the financial year 2016/2017 and its financial position at the end of that year. It follows approved accounting standards and is necessarily technical in parts.

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

## Main Statements

### The Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by councils in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the service areas across the council. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

### The Movement in Reserves Statement

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

### Comprehensive Income and Expenditure Statement (CIES)

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

### The Balance Sheet

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

### The Cash Flow Statement

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

### **The Collection Fund**

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

### **Group Accounts**

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

## **Review of the Year**

### **Revenue Activities**

The Council's financial management arrangements continued to be effective and its financial position resilient. With the challenge of tighter resources year on year, the Council continues to deliver spend within budget. The financial outturn shows that services have delivered an under-spend of £0.203m or 0.2% of budget. When corporate budgets are included this increases to a total service underspend of £1.268m or 0.7% of budget. Combined with an over-achievement of funding, the overall total Council underspend is £2.122m or 1.4% of budget. This means that the call on reserves is lower than planned, and the council did not need to use the capital receipts flexibility to fund transformation spending in 2016/2017.

The table below shows the outturn by service area. Taking each grouping of services in turn:

- Extra demands increased costs in adult and children's social care, but these were offset by increased income, grant and other cost savings producing an underspend of £215k.
- Taken together the cost of council support services was £41k under budget.
- Additional resources were added to the customer and community service budgets in January to address in year cost and income pressures. At outturn there were residual overspends as a result of lower income and higher demand respectively. Underspends in related service areas produce a modest combined overspend £53k.
- There were significant savings in corporate budgets, primarily in capital financing costs. A review of council policy on Minimum Revenue Provision charged to revenue generated a saving and insurance costs were lower.
- There was also a net increase in council funding for the year, primarily because the government levy payable on NNDR growth reduced to reflect reductions in the taxbase.

<b>2016/2017 OUTTURN POSITION</b>	<b>Budget £000's</b>	<b>Actual £000's</b>	<b>Variance £000's</b>
<b>PEOPLE</b>			
Education	5,768	5,843	75
Prevention & Commissioning	9,277	9,170	(107)
Children's Services	16,635	16,601	(34)
Adult Services	31,724	31,575	(149)
Schools	-	-	-
	<b>63,404</b>	<b>63,189</b>	<b>(215)</b>
<b>POLICY &amp; RESOURCES</b>			
Human Resources	1,577	1,541	(36)
Legal Services	2,434	2,511	77
Financial Services	2,673	2,698	25
Business Support	3,768	3,661	(107)
	<b>10,452</b>	<b>10,411</b>	<b>(41)</b>
<b>PLACES</b>			
Customer Services	5,472	5,631	159
Community Services	24,846	24,947	101
Technical & Environmental Services	3,817	3,741	(76)
Planning & Regeneration	2,130	2,024	(106)
Strategic Projects	349	324	(25)
	<b>36,614</b>	<b>36,667</b>	<b>53</b>
<b>Directorate Expenditure</b>	<b>110,470</b>	<b>110,267</b>	<b>(203)</b>
<b>CENTRAL BUDDGETS</b>			
Corporate & Miscellaneous	4,729	4,487	(242)
Capital Financing	13,804	11,526	(2,278)
Contingency	(1,782)	-	1,782
Use of Reserves	(4,003)	(1,881)	2,122
	<b>12,748</b>	<b>14,133</b>	<b>1,385</b>
<b>Total Expenditure</b>	<b>123,218</b>	<b>124,400</b>	<b>1,182</b>
<b>Funding</b>	<b>(123,218)</b>	<b>(124,400)</b>	<b>(1,182)</b>

In 2016/2017, of the Key Performance Indicators that data is held for, 75% were on track or within tolerance and the majority showed year-on-year improvement.

### Capital Programme

The Council approves a capital programme to invest in improving infrastructure, enabling economic growth, supporting healthy active lives, improving the Council's asset base, supporting transformation and innovation in service redesign, while fulfilling the Council's statutory responsibility for school places.

Its approved capital investment programme for 2016-17 was £39.6m. Spending was £33.1m which was £6.5m less than budget. The main variances were on regeneration schemes, facilities improvement and major construction projects. These underspends are largely due to timing and programme re-phasing will be required.

The Council funds its capital programme through a mix of resources. It has funded the 2016-17 programme from a mix of:

- Government grants for individual schemes and programmes
- Other external funding
- Borrowing
- Direct revenue funding.

The council's previous policy of using internal cash resources to fund the capital programme deferred the need for external borrowing for eight years. Since 2015-16 borrowing has resumed and £25m of external long-term borrowing has been required during 2016-17.

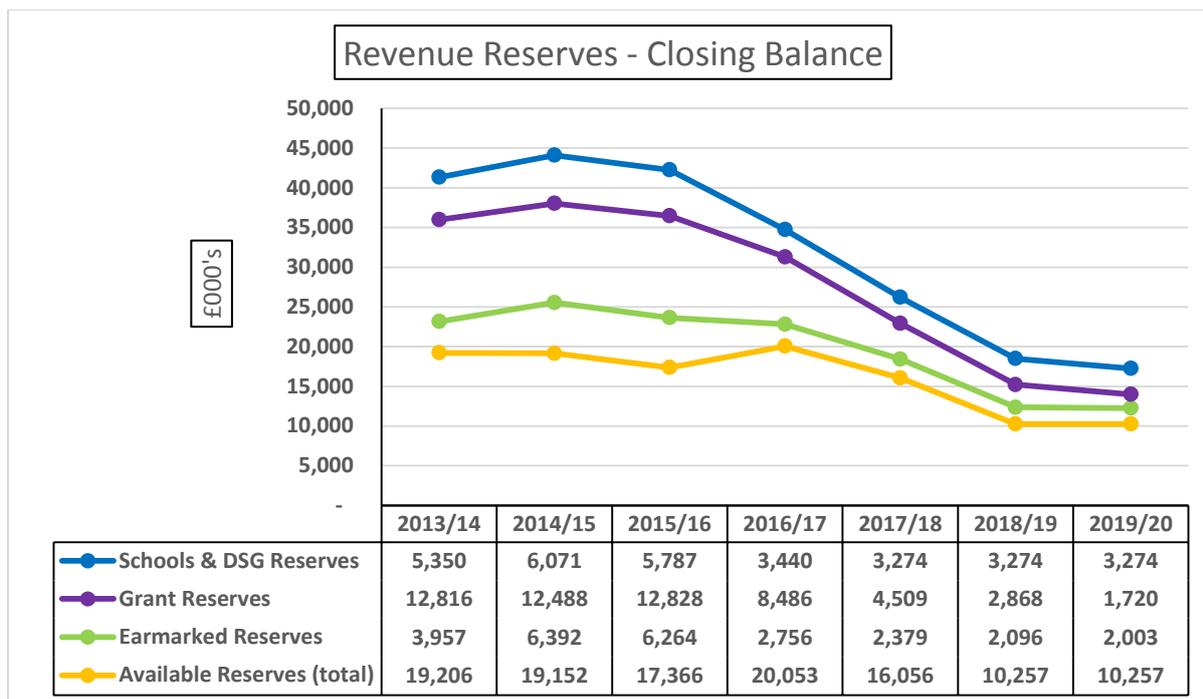
The budget included a target of generating £4.7m of capital receipts from the sale of Council assets. Actual receipts were £1.8m. These have not been applied to the 2016/17 programme, and have been held for use in 2017/18. Shortfalls in capital receipt generation puts pressure on the funding of the programme and any shortfall has to be made up through additional borrowing.

<b>2016/2017 Capital Outturn Position</b>	<b>Budget 2016/2017 £000's</b>	<b>Actual 2016/2017 £000's</b>	<b>Variance 2016/2017 £000's/%</b>		<b>Re-phasing 2016/2017 £000's</b>
People	6,072	4,453	(1,619)	-27%	(1,619)
Policy & Resources	645	393	(252)	-39%	(288)
Places	32,863	28,249	(4,614)	-14%	(4,740)
<b>Total</b>	<b>39,580</b>	<b>33,094</b>	<b>(6,486)</b>	<b>-16%</b>	<b>(6,647)</b>
<b>Funding Analysis</b>					
Grants & External Funding	17,301	14,947	(2,354)	-14%	(2,184)
Revenue / Reserve Funding	398	592	194	49%	(100)
Internal & External Borrowing	17,161	17,555	394	2%	167
Property Trading Account	220	0	(220)	-100%	(39)
Capital Receipts	4,500	0	(4,500)	-100%	(4,491)
<b>Total</b>	<b>39,580</b>	<b>33,094</b>	<b>(6,486)</b>	<b>-16%</b>	<b>(6,647)</b>

Active management will be needed to deliver the 2017/2018 programme of £91m and minimise the need for later re-phasing.

### Revenue Reserves

The Council has used reserves significantly to support transformation, specific initiatives and to support phased delivery of cost reduction programmes, there was £7.5m of reserve utilisation in 2016/2017. This is in line with the financial plan. Total reserves at the end of 2016/2017 were £34.7m. The overall reserves position can be seen in the graph below.



## Future Prospects

This is a challenging time for the public sector as funding resources change, but the council is taking a positive approach to the challenge. Over the years of austerity it has managed to maintain front-line services and maintained a good track record on delivering to budget, on making successful transformation initiatives and achieving cost savings while improving performance.

It has a clear strategy for the future to reshape council delivery through transformation and a robust commercial approach. These are built into its Medium Term Financial Plan. The key objective of the plan is to secure financial resilience by 2020.

A new Executive management structure has been put in place from 2017 which repositions the organisation for the future. It builds the council around two key executive posts: an executive director for people and transformation and an executive director for commercial development.

The MTFP aims to compensate for loss of resources through grant reductions by seeking to grow the local taxbase, both council tax and business rates. It has grown its taxbase under the current business rates retention scheme and plans to grow this further. The council is also making use of the adult social care precept to meet rising care costs, and general council tax increases if required. The plan makes use of earmarked reserves to fund transition to 2020, while maintaining core balances.

Growth in the local economy drives growth in the taxbase. Success in providing opportunities for work generates a greater tax take through business development and, with that, a growing and better rewarded local workforce, which reduces dependence on council tax support. The council has helped to secure the future of the steel industry in Scunthorpe, and continues to leverage private sector investment through major developments in port facilities for wind energy in the North Sea and large scale residential developments along the Trent. The council also has a substantial capital investment programme to improve area infrastructure, and to create an attractive environment for inward investment and population growth through promoting quality of life measures.

To ensure the council can provide a sustainable service offer the strategy also aims to:

Reduce dependency on council services and redefining the relationship with citizens. It aims to achieve this through a focus on preventative activity, increasing independence, working more effectively with partners and by delivering a prosperous economy which offers good employment opportunities.

Transform service delivery through cross-council initiatives around transforming customer access, business process redesign and more effective asset utilisation.

Consolidate the shared service arrangements, which from 2016 cover most council support services including Finance, HR and IT with a plan to deliver £12m shared savings over a 10 year period.

Develop its Commercial capabilities, by exploiting opportunities to deliver additional financial returns from property investment, building on its existing commercial income base of £7m and taking a more commercial approach to how it does business, including full cost recovery where charges are levied such as in sport and leisure.

## 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 31 March 2017 has been prepared in the form directed by the Code and under the accounting policies set out in note 1.
- (b) in my opinion the Statement of Accounts presents fairly the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.

R McIntyre  
Director: Governance and Partnerships  
Date of certification: 22 June 2017

## **Council Approval of Statement of Accounts**

**Audit Committee**  
Date of approval: 26 September 2017

## **North Lincolnshire Council Annual Governance Statement 2016/2017**

The Annual Governance Statement is presented alongside the statement of accounts and not as part of the main document.

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

We have audited the financial statements of North Lincolnshire Council for the year ended 31 March 2017 on pages 15 to 58. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

### **Respective responsibilities of the Director: Governance and Partnerships and auditor**

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

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

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

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2017 and of the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

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

- the Annual Governance Statement available on the Authority's website does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' (CIPFA/SOLACE 2016 Edition); or
- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

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

### **Authority's responsibilities**

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

### **Auditor's responsibilities**

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the C&AG in November 2016, as to whether North Lincolnshire Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether North Lincolnshire Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

### **Conclusion**

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, North Lincolnshire Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

### **Certificate**

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

**John Graham Prentice FCCA MBA**

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

*Chartered Accountants*

1 Sovereign Square  
Sovereign Street  
Leeds  
LS1 4DA

28 September 2017

## Expenditure and Funding Analysis

Net Expenditure Chargeable to the General Fund Balances £'000	2015/2016			2016/2017	
	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000		Net Expenditure Chargeable to the General Fund Balances £'000	Adjustments between the Funding and Accounting Basis £'000
62,223	11,310	73,533	People Directorate	63,189	78,771
11,442	(905)	10,537	Policy and Resources Directorate	10,411	11,526
37,895	28,682	66,577	Places Directorate	36,667	55,340
13,895	(12,306)	1,589	Corporate and Central Services	14,133	2,922
<b>125,455</b>	<b>26,781</b>	<b>152,236</b>	<b>Net Cost of Services</b>	<b>124,400</b>	<b>148,559</b>
<b>(125,455)</b>	<b>10,360</b>	<b>(115,095)</b>	Other Income and Expenditure	(124,400)	(160,855)
<b>0</b>	<b>37,141</b>	<b>37,141</b>	<b>(Surplus) or Deficit</b>	<b>0</b>	<b>(12,296)</b>
6,858	<b>Opening General Fund Balance</b>			6,858	
0	(Surplus) or Deficit on General Fund Balance in Year			0	
<b>6,858</b>	<b>Closing General Fund Balance</b>			<b>6,858</b>	

## Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves of the Council £000
<b>Balance as at 1 April 2015</b>	<b>6,858</b>	<b>37,244</b>	<b>0</b>	<b>9,717</b>	<b>53,819</b>	<b>6,838</b>	<b>60,657</b>
<b>Movement in reserves during 2015/2016</b>							
Total Comprehensive Income and Expenditure	(37,141)	0	0	0	(37,141)	91,583	54,442
Adjustments from income and expenditure charged under the accounting basis to the funding basis	35,284	0	0	(4,605)	30,679	(30,679)	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>(1,857)</b>	<b>0</b>	<b>0</b>	<b>(4,605)</b>	<b>(6,462)</b>	<b>60,904</b>	<b>54,442</b>
Transfer to or from Earmarked Reserves	1,857	(1,857)			0	0	0
<b>Increase/(Decrease) in 2015/2016</b>	<b>0</b>	<b>(1,857)</b>	<b>0</b>	<b>(4,605)</b>	<b>(6,462)</b>	<b>60,904</b>	<b>54,442</b>
<b>Balance as at 31 March 2016</b>	<b>6,858</b>	<b>35,387</b>	<b>0</b>	<b>5,112</b>	<b>47,357</b>	<b>67,742</b>	<b>115,099</b>
<b>Movement in reserves during 2016/2017</b>							
Total Comprehensive Income and Expenditure	12,296	0	0	0	12,296	11,275	23,571
Adjustments from income and expenditure charged under the accounting basis to the funding basis	(19,806)	0	1,791	3	(18,012)	18,012	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>(7,510)</b>	<b>0</b>	<b>1,791</b>	<b>3</b>	<b>(5,716)</b>	<b>29,287</b>	<b>23,571</b>
Transfer to or from Earmarked Reserves	7,510	(7,510)	0	0	0	0	0
<b>Increase/(Decrease) in 2016/2017</b>	<b>0</b>	<b>(7,510)</b>	<b>1,791</b>	<b>3</b>	<b>(5,716)</b>	<b>29,287</b>	<b>23,571</b>
<b>Balance Sheet as at 31 March 2017</b>	<b>6,858</b>	<b>27,877</b>	<b>1,791</b>	<b>5,115</b>	<b>41,641</b>	<b>97,029</b>	<b>138,670</b>

## Comprehensive Income and Expenditure Statement

	Notes	2016/2017			Restated *		
		£000	£000	£000	2015/2016		
		Expenditure	Income	Net	£000	£000	£000
People Directorate		195,516	(116,745)	78,771	187,301	(113,768)	73,533
Policy and Resources Directorate		58,155	(46,629)	11,526	61,428	(50,891)	10,537
Places Directorate		66,225	(10,885)	55,340	73,758	(7,181)	66,577
Corporate and Central Services		8,477	(5,555)	2,922	7,428	(5,839)	1,589
<b>Cost of Services</b>		<b>328,373</b>	<b>(179,814)</b>	<b>148,559</b>	<b>329,915</b>	<b>(177,679)</b>	<b>152,236</b>
Other Operating Expenditure	11	3,981	0	3,981	18,901	0	18,901
Financing and Investment Income and Expenditure	12	29,669	(21,409)	8,260	30,825	(22,241)	8,584
Taxation and Non-Specific Grant Income and Expenditure	13	0	(173,096)	(173,096)	0	(142,580)	(142,580)
<b>(Surplus) or Deficit on Provision of Services</b>		<b>362,023</b>	<b>(374,319)</b>	<b>(12,296)</b>	<b>379,641</b>	<b>(342,500)</b>	<b>37,141</b>
Surplus or deficit on revaluation of Property, Plant and Equipment	14			(11,540)			(18,655)
Impairment losses on non-current assets charged to the Revaluation Reserve	14			4,707			1,692
Re-measurement of the net defined benefit liability/(asset)	43			(4,442)			(74,620)
<b>Other Comprehensive Income and Expenditure</b>				<b>(11,275)</b>			<b>(91,583)</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>(23,571)</b>			<b>(54,442)</b>

\* Restated 2015/2016 figures to reflect the change from SERCoP headings to Management Structure Headings

## Balance Sheet

	Notes	31st March 2017		31st March 2016	
		£000	£000	£000	£000
Property, Plant & Equipment	14	458,877		427,806	
Heritage Assets	15	1,039		1,039	
Investment Property	16	53,143		45,947	
Intangible Assets	17	753		628	
Long Term Investments	18	64		64	
Long Term Debtors	18	49		76	
<b>Long Term Assets</b>		<b>513,925</b>		<b>475,560</b>	
Inventories	19	366		360	
Short Term Debtors	20	31,497		27,238	
Cash and Cash Equivalents	21	3,552		310	
Assets held for sale	22	13,586		5,919	
<b>Current Assets</b>		<b>49,001</b>		<b>33,827</b>	
Short Term Borrowing	18	30,065		14,041	
Short Term Creditors	23	25,093		29,030	
Provisions	24	4,221		3,024	
<b>Current Liabilities</b>		<b>59,379</b>		<b>46,095</b>	
Provisions	24	2,027		2,092	
Long Term Borrowing	18	131,547		119,459	
Other Long Term Liabilities	43	231,303		226,642	
<b>Long Term Liabilities</b>		<b>364,877</b>		<b>348,193</b>	
<b>Net Assets</b>		<b>138,670</b>		<b>115,099</b>	
Usable Reserves	25/26	41,641		47,357	
Unusable Reserves	25/26	97,029		67,742	
<b>Total Reserves</b>		<b>138,670</b>		<b>115,099</b>	

## Cash Flow Statement

2015/2016 £000		Note	2016/2017 £000
(37,524)	Net surplus or (deficit) on the provision of services		12,296
44,237	Adjustment to surplus or deficit on the provision of services for noncash movements		29,967
(21,102)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(13,965)
(14,389)	Net Cash flows from operating activities	27	28,298
(8,952)	Net Cash flows from Investing Activities	28	(53,596)
24,992	Net Cash flows from Financing Activities	29	28,540
1,651	Net increase or (decrease) in cash and cash equivalents		3,242
(1,341)	Cash and cash equivalents at the beginning of the reporting period	21	310
310	Cash and cash equivalents at the end of the reporting period	21	3,552

# Notes to the Accounts

## Note 1 Accounting Policies

### i. General Principles

The Statement of Accounts summarises the council's transactions for the 2016/2017 financial year and its position at the year-end of 31 March 2017. 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 2016/2017, supported by International Financial Reporting Standards (IFRS).

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

### ii. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- Revenue from the provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet where individual inventory categories are above £50,000.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. In respect of both capital and revenue transactions, the council operates on the normal accruals concept of income and expenditure above the council's de minimis threshold of £10,000. Exceptions to this policy are:
  - Housing Benefit payments
  - Social services Income for home care
  - Travel and supply teachers
  - Property Trading account Income for commercial properties

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

### iii. Cash and Cash Equivalents

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

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

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

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

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

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

#### **v. Charges to Revenue for Non-current Assets**

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

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

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

#### **vi. Council Tax and Non-Domestic Rates**

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

#### **Accounting for Council Tax and NDR**

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

#### **vii. Employee Benefits**

##### **Benefits Payable During Employment**

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

##### **Termination Benefits**

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and

credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### Post-employment Benefits

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

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

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

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

### The Local Government Pension Scheme

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

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

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

Service cost comprising:

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

Re-measurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- contributions paid to the East Riding pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

#### **Discretionary Benefits**

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

#### **viii. Events After the Reporting Period**

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

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

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

#### **ix. Financial Instruments**

##### **Financial Liabilities**

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

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

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

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

## Financial Assets

Financial assets are classified into two types:

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

### Loans and Receivables

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

For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

### Available-for-sale Assets

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

## x. Government Grants and Contributions

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

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

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

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

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

## xi. Heritage Assets

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

#### Civic Regalia and Museum Collection

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

#### Heritage Assets – General

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

#### **xii. Intangible Assets**

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

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

#### **xiii. Inventories**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using recognised formula. The council has set a de minimis value of £50,000, below which inventories are not held on balance sheet.

#### **xiv. Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **xv. Leases**

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

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

### **The Council as Lessee**

#### **Finance Leases**

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

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

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

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

#### **Operating Leases**

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

### **The Council as Lessor**

#### **Finance Leases**

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

Lease rentals receivable are apportioned between:

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

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

Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

### **Operating Leases**

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

### **xvi. Overheads and Support Services**

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

### **xvii. Property, Plant and Equipment**

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

### **Recognition**

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

### **Measurement**

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

### **Impairment**

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

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

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

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

### **Depreciation**

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

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

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

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

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

### **Disposals and Non-current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is

revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

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

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

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

#### **xviii. Provisions, Contingent Liabilities and Contingent Assets**

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

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

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

#### **Contingent Liabilities**

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

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

#### **Contingent Assets**

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

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

#### **xix. Reserves**

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies.

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive

Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the council – these reserves are explained in the relevant policies.

#### **xx. Revenue Expenditure Funded from Capital under Statute**

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

#### **xxi. Schools**

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

#### **xxii. VAT**

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

#### **xxiii. Fair Value Measurement**

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

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

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

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

The council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the council's financial statements are categorised within the fair value hierarchy, as follows:

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

## **Note 2 Accounting Standards Issued, Not Adopted**

No relevant accounting standards have been issued that have not been complied with.

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

The items in the council’s Balance Sheet at 31 March 2017 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
<p><b>Property, Plant and Equipment</b> Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p>	<p>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 £0.7m if the average useful life of the council’s buildings fell by one year.</p>
<p><b>Pensions Liability</b> 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.</p>	<p>The assumptions interact in complex ways. During 2016/2017, the council’s actuaries advised that the net pension liability had increased by £4.6m as a result of updating of the assumptions.</p>
<p><b>Impairment</b> At 31 March 2017, the council had a balance of sundry debtors of £10.3m. A review of significant balances suggested that an impairment of doubtful debts of £2.2m was appropriate. However it is not certain that such an allowance would be sufficient.</p>	<p>If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £2.2m to be set aside as an allowance.</p>
<p><b>National Non Domestic Rates (NNDR) Provision</b> The council set aside, from its collection fund, £9.8m 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 £4.8m is shown in the Provisions Note.</p>	<p>The impact of appeals is highly uncertain and outside of the control of the council.</p>
<p><b>Fair Value Measurement</b> When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the council’s assets and liabilities. Where Level 1 inputs are not available, the council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the council’s chief valuation officer and external valuer). Information about the valuation techniques and inputs used in determining the fair value of the council’s assets and liabilities is disclosed in notes 14 and 16 below.</p>	<p>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.</p>

## Note 5 Material Items of Income and Expense

For this council a material item of income and expense would be around £5m or more. During 2016/2017 one such item has been identified. School buildings valued at £37.5m were constructed under the Priority Schools Building Programme in North Lincolnshire. As these buildings were paid for directly by Central Government, they have been treated as donated assets in the accounts.

## Note 6 Events After the Balance Sheet Date

### Collection Fund Transitional Relief

In March the council was notified by the Valuation Office Agency of the outcome of several appeals which resulted in large reductions in the relevant site's rateable value – the estimated resulting refunds have been provided for. However, the reduction in rateable value will also mean the council will have to repay around £5m of Transitional Relief from its Collection Fund in 2017/2018.

## Note 7 Note to the Expenditure and Funding Analysis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital purposes £000	Net change for the Pensions Adjustments £000	Other Statutory Adjustments £000	2016/2017
				Total Adjustments £000
People Directorate	11,845	376	3,361	15,582
Policy and Resources Directorate	(72)	182	1,005	1,115
Places Directorate	17,029	680	964	18,673
Corporate and Central Services	(5,431)	(81)	(5,699)	(11,211)
<b>Net Cost of Services</b>	<b>23,371</b>	<b>1,157</b>	<b>(369)</b>	<b>24,159</b>
Other income and expenditure from the EFA	(52,851)	7,946	8,450	(36,455)
<b>Difference between General Fund surplus or deficit and CIES surplus or deficit on the Provision of Services</b>	<b>(29,480)</b>	<b>9,103</b>	<b>8,081</b>	<b>(12,296)</b>

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital purposes £000	Net change for the Pensions Adjustments £000	Other Statutory Adjustments £000	2015/2016
				Total Adjustments £000
People Directorate	7,596	2,042	1,672	11,310
Policy and Resources Directorate	151	575	(1,631)	(905)
Places Directorate	26,981	1,853	(152)	28,682
Corporate and Central Services	(7,204)	(428)	(4,674)	(12,306)
<b>Net Cost of Services</b>	<b>27,524</b>	<b>4,042</b>	<b>(4,785)</b>	<b>26,781</b>
Other income and expenditure from the EFA	(7,521)	9,278	8,603	10,360
<b>Difference between General Fund surplus or deficit and CIES surplus or deficit on the Provision of Services</b>	<b>20,003</b>	<b>13,320</b>	<b>3,818</b>	<b>37,141</b>

### Segmental Income

Income received on a segmental basis is analysed below:

2016/2017	Revenue from External Customers	Revenues from Transactions with Other Operating Segments of the Authority
	£000	£000
People Directorate	(18,726)	(8,683)
Policy and Resources Directorate	(2,602)	(2,124)
Places Directorate	(21,401)	(16,637)
Corporate and Central Services	(1,462)	(619)
<b>Total income analysed on a segmental basis</b>	<b>(44,191)</b>	<b>(28,063)</b>

2015/2016	Revenue from External Customers	Revenues from Transactions with Other Operating Segments of the Authority
	£000	£000
People Directorate	(16,712)	(9,248)
Policy and Resources Directorate	(2,910)	(2,034)
Places Directorate	(20,980)	(15,921)
Corporate and Central Services	(2,471)	(588)
<b>Total income analysed on a segmental basis</b>	<b>(43,073)</b>	<b>(27,791)</b>

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

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

## Note 8 Expenditure and Income Analysed by Nature

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

	2016/2017 £000	2015/2016 £000
<b>Expenditure/Income</b>		
<b>Expenditure</b>		
Employee benefits expenses	153,406	154,560
Other services expenses	174,161	169,720
Depreciation, amortisation, impairment	22,300	16,676
Interest payments	6,207	5,932
Precepts and levies	2,623	2,571
(Gain)/Loss on the disposal of assets	1,358	16,330
Other Expenditure (REFCUS)	1,967	13,850
<b>Total expenditure</b>	<b>362,023</b>	<b>379,639</b>
<b>Income</b>		
Fees, charges and other service income	(43,270)	(43,258)
Interest and investment income	(23)	(80)
Income from council tax, non-domestic rates income	(97,122)	(91,570)
Government grants and contributions	(228,764)	(203,693)
Other Income	(5,140)	(3,897)
<b>Total income</b>	<b>(374,319)</b>	<b>(342,498)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>(12,296)</b>	<b>37,141</b>

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

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

2015/2016	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments to the Revenue Resources</b>				
<b>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.</b>				
Pension cost (transferred to (or from) the Pensions Reserve)	13,320			(13,320)
Council tax and NDR (transfers to or from the Collection Fund)	1,753			(1,753)
Holiday pay (transferred to the Accumulated Absences reserve)	208			(208)
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)	35,205			(35,205)
<b>Total Adjustments to Revenue Resources</b>	<b>50,486</b>	<b>0</b>	<b>0</b>	<b>(50,486)</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(3,829)	3,829		
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	153	(153)		
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(7,247)			7,247
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(340)			340
<b>Total Adjustments to Revenue Resources</b>	<b>(11,263)</b>	<b>3,676</b>	<b>0</b>	<b>7,587</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure		(3,676)		3,676
Application of capital grants to finance capital expenditure	(3,939)		(4,605)	8,544
Cash payments in relation to deferred capital receipts		0		0
<b>Total Adjustments to Capital Resources</b>	<b>(3,939)</b>	<b>(3,676)</b>	<b>(4,605)</b>	<b>12,220</b>
<b>Total Adjustments</b>	<b>35,284</b>	<b>0</b>	<b>(4,605)</b>	<b>(30,679)</b>

## 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 2016/2017.

	2015/2016			2016/2017			Balance as at 31 March 2017 £000
	Balance as at 1 April 2015 £000	Transfers In £000	Transfers Out £000	Balance as at 31 March 2016 £000	Transfers In £000	Transfers Out £000	
	<b>General Fund:</b>						
Revenue Support Reserve	12,293	956	(2,741)	10,508	3,741	(1,055)	13,194
Revenue Grants	10,179	3,975	(3,528)	10,626	2,173	(6,548)	6,251
Dedicated Schools Grant	3,022	1,829	(1,993)	2,858	317	(809)	2,366
Public Health	2,309	118	(225)	2,202	33	0	2,235
Safety Camera Partnership	1,064	1,157	(1,064)	1,157	100	0	1,257
Schools Delegated Reserve	3,048	411	(530)	2,929	0	(1,855)	1,074
Commuted Sums	70	640	(130)	580	145	(439)	286
Self-Insurance	284	0	0	284	0	0	284
Property Trading Account	42	385	(222)	205	61	(9)	257
Scunthorpe Special Expenses	205	114	(110)	209	34	(37)	206
Dedicated Schools Grant-Delegated	240	182	(240)	182	0	0	182
Organisational Development Programme	0	0	0	0	100	0	100
Shared Service Development	113	0	0	113	0	(38)	75
Licensing	0	0	0	0	53	0	53
Finance Systems Implementation	0	0	0	0	50	0	50
Crematorium Enhancement Fund	37	2	(35)	4	3	0	7
General Carry Forwards	2,736	1,898	(2,736)	1,898	0	(1,898)	0
Insurance	1,173	0	0	1,173	0	(1,173)	0
Pumping Stations	156	30	0	186	0	(186)	0
Legal Services Reserve	172	0	0	172	0	(172)	0
Flood Reserve	101	0	0	101	0	(101)	0
<b>Total Earmarked Reserves</b>	<b>37,244</b>	<b>11,697</b>	<b>(13,554)</b>	<b>35,387</b>	<b>6,810</b>	<b>(14,320)</b>	<b>27,877</b>

### Revenue Support Reserve

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

### Revenue Grants

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

### Dedicated Schools Grant

This reserve has been set aside to hold the balance of the Dedicated Schools Grant received but unapplied at year end.

### Self-Insurance

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

### Property Trading Account

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

## Note 11 Other Operating Expenditure

	2016/2017 £000	2015/2016 £000
Levies	1,278	1,269
Parish council precepts	1,345	1,302
(Gains)/losses on the disposal of non-current assets	1,358	16,330
	<b>3,981</b>	<b>18,901</b>

## Note 12 Financing and Investment Income and Expenditure

	2016/2017			2015/2016		
	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Interest payable and similar charges	6,207	0	6,207	5,932	0	5,932
Net interest on the net defined benefit liability (asset)	7,947	0	7,947	9,278	0	9,278
Interest receivable and similar income	0	(23)	(23)	0	(80)	(80)
Income and expenditure in relation to investment properties and changes in their fair value	2,382	(7,595)	(5,213)	1,932	(8,360)	(6,428)
Other investment income (see note 30)	13,133	(13,791)	(658)	13,683	(13,801)	(118)
<b>Total</b>	<b>29,669</b>	<b>(21,409)</b>	<b>8,260</b>	<b>30,825</b>	<b>(22,241)</b>	<b>8,584</b>

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

Taxation and Non-Specific Grant Income and Expenditure	2016/2017 £000	2015/2016 £000
Council Tax Income	(63,299)	(60,599)
Non Domestic Rates Income and Expenditure	(33,823)	(30,971)
Non-ring-fenced government grants	(26,978)	(33,584)
Capital Grants and Contributions and Donations	(48,996)	(17,426)
<b>Total Taxation and Non-Specific Grant Income and Expenditure</b>	<b>(173,096)</b>	<b>(142,580)</b>

## Note 14 Property, Plant and Equipment

### Current Year

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

## Comparator Year

	Property, Plant & Equipment (PP&E)									
	Other Land and Buildings £000	Infrastructure Assets £000	Vehicles, Plant & Equipment £000	Community Assets £000	PP&E Under Construction £000	Surplus Assets £000	Total PP&E £000	Investment Properties £000	Intangible Assets £000	TOTAL £000
<b>Cost or Valuation</b>										
Balance as at 1 April 2015	355,002	97,317	12,943	1,653	2,200	10,550	479,665	41,804	511	521,980
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	0	0	0	0
Adjusted opening balance	355,002	97,317	12,943	1,653	2,200	10,550	479,665	41,804	511	521,980
Additions	6,180	11,663	1,193	248	3,304	388	22,976	2,277	392	25,645
Donations	0	0	0	0	0	0	0	0	0	0
Revaluation increases/decreases to Revaluation Reserve	6,785	(11)	0	0	0	4,069	10,843	0	0	10,843
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(3,520)	(11)	(65)	0	0	3	(3,593)	2,924	0	(669)
De-recognition - Disposals	(15,394)	0	(1,700)	0	0	(76)	(17,170)	(1,237)	0	(18,407)
De-recognition - Other	0	0	0	0	0	0	0	0	0	0
Reclassifications & Transfers	(3,041)	9	0	1,913	(1,085)	2,025	(179)	179	0	0
Reclassified to/from Held for Sale	0	0	0	0	0	0	0	0	0	0
Other movements	0	0	0	0	0	0	0	0	0	0
<b>Balance as at 31 March 2016</b>	<b>346,012</b>	<b>108,967</b>	<b>12,371</b>	<b>3,814</b>	<b>4,419</b>	<b>16,959</b>	<b>492,542</b>	<b>45,947</b>	<b>903</b>	<b>539,392</b>
<b>Depreciation and Impairment</b>										
Balance as at 1 April 2015	(25,133)	(23,579)	(6,945)	0	0	(1,621)	(57,278)	0	(198)	(57,476)
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	0	0	0	0
Adjusted opening balance	(25,133)	(23,579)	(6,945)	0	0	(1,621)	(57,278)	0	(198)	(57,476)
Depreciation Charge	(9,074)	(5,599)	(1,416)	(118)	0	(35)	(16,242)	0	(77)	(16,319)
Depreciation written out on Revaluation Reserve	6,695	0	0	0	0	87	6,782	0	0	6,782
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	2,287	1	65	0	0	17	2,370	34	0	2,404
Impairment losses/reversals to Revaluation Reserve	(1,705)	0	0	0	0	13	(1,692)	0	0	(1,692)
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	51	0	(3)	(5)	(26)	(374)	(357)	0	0	(357)
De-recognition - Disposals	303	0	1,344	0	0	0	1,647	0	0	1,647
De-recognition - Other	0	0	0	0	0	0	0	0	0	0
Reclassifications & Transfers	723	0	0	(538)	0	(151)	34	(34)	0	0
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0	0	0	0	0
<b>Balance as at 31 March 2016</b>	<b>(25,853)</b>	<b>(29,177)</b>	<b>(6,955)</b>	<b>(661)</b>	<b>(26)</b>	<b>(2,064)</b>	<b>(64,736)</b>	<b>0</b>	<b>(275)</b>	<b>(65,011)</b>
<b>Net Book Value</b>										
<b>Balance as at 31 March 2016</b>	<b>320,159</b>	<b>79,790</b>	<b>5,416</b>	<b>3,153</b>	<b>4,393</b>	<b>14,895</b>	<b>427,806</b>	<b>45,947</b>	<b>628</b>	<b>474,381</b>
<b>Balance as at 31 March 2015</b>	<b>329,869</b>	<b>73,738</b>	<b>5,998</b>	<b>1,653</b>	<b>2,200</b>	<b>8,929</b>	<b>422,387</b>	<b>41,804</b>	<b>313</b>	<b>464,504</b>

### Depreciation

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

- Other Land and Buildings – 1–90 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 2017, the council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/2017 and future years. Of these contracts, those considered to be major contracts are those having outstanding commitments in excess of £1m. As at 31 March 2017, two contracts met this criteria:

- North Axholme Sport Centre at £5.5m
- LED Street Lighting Replacement at £2.4m

### Effects of Changes in Estimates

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

### Revaluations

The council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations except two were carried out internally. The District Valuer was appointed to provide two specific valuations. Valuations of land and buildings were carried out in

accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

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

- that good title can be shown and all valid planning permissions and statutory approvals are in place;
- that all easements; rights of way, restrictions and other encumbrances have been considered
- that the properties are in good repair unless otherwise stated
- that any services are in good working order or free from defect unless otherwise stated
- that no deleterious or hazardous materials have been used in the construction nor any existing or potential environmental factors are known that could affect the values.

The table below shows the property, plant and equipment held on the asset register valued at historical cost or at the fair value of the asset at the time of valuation (5-year rolling programme).

2016/2017 Valuation of PPE	Land and Buildings	Vehicles, Plant & Equipment	Surplus Assets	Total PPE
<b>Carried at historical cost</b>	92,773	5,812	0	98,585
<b>Valued at fair value as at:</b>				
31/03/2017	118,777	0	3,642	122,419
31/03/2016	94,764	0	361	95,125
31/03/2015	62,497	0	1,598	64,095
31/03/2014	49,824	0	1,500	51,324
31/03/2013	27,327	0	0	27,327
<b>Total Cost or Valuation</b>	<b>445,962</b>	<b>5,812</b>	<b>7,101</b>	<b>458,875</b>

### 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 2017 are as follows:

2016/2017 Recurring fair value measurements using:	Significant unobservable inputs (Level 3) £000	Fair value £000
<b>Surplus Assets:</b>		
All Surplus Assets	7,101	7,101
<b>Total Surplus Assets</b>	<b>7,101</b>	<b>7,101</b>
<b>Investment Properties:</b>		
Residential (Market Rental) Properties	0	0
Office Units	0	0
Commercial Units	53,143	53,143
<b>Total Investment Properties</b>	<b>53,143</b>	<b>53,143</b>

Comparator year:

2015/2016 Recurring fair value measurements using:	Significant unobservable inputs (Level 3) £000	Fair value £000
<b>Surplus Assets:</b>		
All Surplus Assets	14,895	14,895
<b>Total Surplus Assets</b>	<b>14,895</b>	<b>14,895</b>
<b>Investment Properties:</b>		
Residential (Market Rental) Properties	0	0
Office Units	0	0
Commercial Units	45,947	45,947
<b>Total Investment Properties</b>	<b>45,947</b>	<b>45,947</b>

#### Determined value level, valuation process and techniques

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

unobservable inputs to determine the fair value measurements and there is no readily available information that indicates that market participants would use different assumptions.

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

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

The agricultural valuations are based on market comparable rents and yields for similar properties in the local authority area taking into account existing lease terms, any increases at the next review and other lease terms. Rentals and yields are derived from market evidence for similar properties in the local authority area adjusted to reflect each asset. The rental comparables are a mixture of deals on council assets and third party assets. The yields are derived from third party sales and discussions with other agents and the District Valuer. The fair value of the council's investment property is measured annually at each reporting date.

The fair value of the council's Surplus Assets is measured at 5 yearly intervals.

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

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

### Reconciliation of Fair Value Measurements

2016/2017 Assets categorised within Level 3	Surplus Assets £000	Investment Properties £000
Opening Balance	14,895	45,947
Reclassifications in at Level 3	2,193	6,514
Reclassifications out of at Level 3	(7,663)	(174)
Transfers into Level 3	0	0
Transfers out of Level 3	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	(2,400)	1,992
Additions	76	258
Disposals	0	(1,394)
<b>Closing Balance</b>	<b>7,101</b>	<b>53,143</b>

### Comparator year:

2015/2016 Assets categorised within Level 3	Surplus Assets £000	Investment Properties £000
Opening Balance	8,929	41,804
Reclassifications in at Level 3	2,200	460
Reclassifications out of at Level 3	(326)	(315)
Transfers into Level 3	0	0
Transfers out of Level 3	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	3,780	2,958
Additions	388	2,277
Disposals	(76)	(1,237)
<b>Closing Balance</b>	<b>14,895</b>	<b>45,947</b>

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	2016/2017 £000	Valuation technique used to measure fair value	Unobservable inputs	Sensitivity
<b>Surplus Assets:</b>				
Land	7,040	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	61	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
<b>Investment Properties</b>				
Industrial and commercial units	51,511	market comparison	Rent Growth Vacancy Levels Yields	Significant changes in rental income and rent growth, Vacancy levels or yields will result in a significantly Lower or higher value
Agricultural units	1,632	market comparison	Rent Growth Vacancy Levels Yields	Significant changes in rental income and rent growth, Vacancy levels or yields will result in a significantly Lower or higher value

## Note 15 Heritage Assets

	Civic Regalia £000	Museum Collection £000	Total Assets £000
<b>Cost or Valuation</b>			
Balance as At 1 April 2015	159	880	1,039
Movements	0	0	0
<b>Balance as at 31 March 2016</b>	<b>159</b>	<b>880</b>	<b>1,039</b>
<b>Cost or Valuation</b>			
Balance as At 1 April 2016	159	880	1,039
Movements	0	0	0
<b>Balance as at 31 March 2017</b>	<b>159</b>	<b>880</b>	<b>1,039</b>

### Museum Collection

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

### Civic Regalia

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

## Note 16 Investment Properties

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

### Income and Expenditure from Investment Properties

	2016/2017 £000	2015/2016 £000
Rental income from investment property	(4,066)	(4,036)
Direct operating expenses arising from investment property	988	696
Net (Gain)/Loss	<b>(3,078)</b>	<b>(3,340)</b>

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:

	2016/2017	2015/2016
	£000	£000
Balance at start of the year	45,947	41,804
Additions:		
- Purchases	258	2,277
- Construction	0	0
- Subsequent expenditure	0	0
Disposals	(1,394)	(1,237)
Net (gains)/losses from fair value adjustments	1,992	2,958
Transfers:		
- to/from Assets Held for Sale	777	0
- to/from Property, Plant and Equipment	5,563	145
Other changes	0	0
Balance at end of the year	<b>53,143</b>	<b>45,947</b>

## Note 17 Intangible Assets

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

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

Client access Licences – 18 years

Microsoft office Licences – 10 years

Carefirst – 5 years

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £147k charged to revenue in 2016/2017 was charged to People Services (£39k) and Policy & Resources Services (£108k) in the Cost of Services.

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

## Note 18 Financial Instruments

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

	Long-term		Current	
	2016/2017	2015/2016	2016/2017	2015/2016
	£000	£000	£000	£000
<b>Investments</b>				
Unquoted equity investment at cost	64	64	0	0
<b>Total investments</b>	<b>64</b>	<b>64</b>	<b>0</b>	<b>0</b>
<b>Debtors</b>				
Loans and receivables	49	76	350	360
Financial assets carried at contract amounts	0	0	17,431	14,840
<b>Total Debtors</b>	<b>49</b>	<b>76</b>	<b>17,781</b>	<b>15,200</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	131,547	119,459	30,065	14,041
<b>Total borrowings</b>	<b>131,547</b>	<b>119,459</b>	<b>30,065</b>	<b>14,041</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount	0	0	25,093	29,030
<b>Total creditors</b>	<b>0</b>	<b>0</b>	<b>25,093</b>	<b>29,030</b>

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

	2016/2017			2015/2016		
	Financial Liabilities measured at amortised cost £000	Financial Assets Available-for-sale assets £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets Available-for-sale assets £000	Total £000
Interest expense	6,207	0	6,207	5,932	0	5,932
Impairment losses	0	0	0	0	0	0
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>6,207</b>	<b>0</b>	<b>6,207</b>	<b>5,932</b>	<b>0</b>	<b>5,932</b>
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	0	0	0	0	0	0
<b>Surplus/(deficit) arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net gain/(loss) for the year</b>	<b>6,207</b>	<b>0</b>	<b>6,207</b>	<b>5,932</b>	<b>0</b>	<b>5,932</b>

**Fair Values of Financial Assets and Financial Liabilities**

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

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

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

	2016/2017		2015/2016	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
<b>Financial liabilities:</b>				
PWLB	140,959	184,238	118,367	156,705
Bonds	3,500	3,500	5,000	5,707
Other Borrowing	17,153	17,153	10,133	10,133
<b>Total</b>	<b>161,612</b>	<b>204,891</b>	<b>133,500</b>	<b>172,545</b>

**Fair value hierarchy:**

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

**Comparator year**

Recurring Fair Value Measurements using:	2015/2016			Total £000
	Quoted prices in active markets for identical assets / liabilities (level 1) £000	Other significant observable inputs (level 2) £000	Significant unobservable inputs (level 3) £000	
<b>Financial Liabilities</b>				
<b>Financial liabilities held at amortised cost:</b>				
PWLB	156,705	0	0	156,705
Bonds	0	5,707	0	5,707
Other Borrowing	10,133	0	0	10,133
<b>Total</b>	<b>166,838</b>	<b>5,707</b>	<b>0</b>	<b>172,545</b>

## Note 19 Inventories

In undertaking its work the council holds reserves of stock.  
The figure shown in the Balance Sheet is broken down as follows:

		Balance outstanding at start of year £000	Purchases £000	Recognised as an expense in year £000	Written off balances £000	Reversals of write- offs in previous years £000	Balance outstanding at end of year £000
Waste Stock	<b>2016/2017</b>	151	105	(84)	(39)	0	<b>133</b>
	2015/2016	141	164	(101)	(53)	0	<b>151</b>
Highways Materials	<b>2016/2017</b>	137	127	(152)	(2)	0	<b>110</b>
	2015/2016	156	290	(308)	(1)	0	<b>137</b>
Highways Salt Stock	<b>2016/2017</b>	0	133	(69)	0	0	<b>64</b>
	2015/2016	0	0	0	0	0	<b>0</b>
Fleet Stock	<b>2016/2017</b>	72	756	(769)	0	0	<b>59</b>
	2015/2016	76	729	(733)	0	0	<b>72</b>
Technical & Environment Stock	<b>2016/2017</b>	0	0	0	0	0	<b>0</b>
	2015/2016	36	0	(36)	0	0	<b>0</b>
Sports Facilities Trading	<b>2016/2017</b>	0	0	0	0	0	<b>0</b>
	2015/2016	23	0	(23)	0	0	<b>0</b>
Normanby Hall Trading	<b>2016/2017</b>	0	0	0	0	0	<b>0</b>
	2015/2016	16	0	(16)	0	0	<b>0</b>
<b>Total</b>	<b>2016/2017</b>	<b>360</b>	<b>1,121</b>	<b>(1,074)</b>	<b>(41)</b>	<b>0</b>	<b>366</b>
	2015/2016	<b>448</b>	<b>1,183</b>	<b>(1,217)</b>	<b>(54)</b>	<b>0</b>	<b>360</b>

## Note 20 Debtors

	Long term debtors		Short term debtors	
	2016/2017 £000	2015/2016 £000	2016/2017 £000	2015/2016 £000
Central Government Bodies	0	0	2,095	1,202
Other Local Authorities	0	0	1,696	1,650
NHS Bodies	0	0	4,322	1,636
Other entities and individuals	0	0	10,511	11,244
Prepayments	0	0	975	1,085
Impairment of loans and receivables	0	0	(2,168)	(1,977)
Loans and Advances	49	76	350	360
<b>Total of Financial Instruments</b>	<b>49</b>	<b>76</b>	<b>17,781</b>	<b>15,200</b>
NDR & Council Tax	0	0	11,381	9,835
Value Added Tax	0	0	2,335	2,203
<b>Non-Financials Instruments</b>	<b>0</b>	<b>0</b>	<b>13,716</b>	<b>12,038</b>
	<b>49</b>	<b>76</b>	<b>31,497</b>	<b>27,238</b>

## 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:

	2016/2017 £000	2015/2016 £000
Cash and Bank balances	(4,040)	(742)
Short Term Investments	7,592	1,052
<b>Total</b>	<b>3,552</b>	<b>310</b>

## Note 22 Assets Held for Sale

These assets are being actively marketed for sale

	2016/2017 £000	2015/2016 £000
<b>Balance outstanding at start of year</b>	<b>5,919</b>	<b>8,030</b>
Additions	133	0
Transferred from Non-Current Assets during year:		
- Property Plant and Equipment	7,508	0
Revaluation losses	0	(24)
Revaluation gains	1,790	1,030
Impairment gains/losses to revenue	153	0
Impairment gains/losses to revaluation reserve	(461)	0
Assets declassified as held for sale to PPE	(822)	0
Assets sold	(634)	(3,117)
<b>Balance outstanding at year-end</b>	<b>13,586</b>	<b>5,919</b>

## Note 23 Creditors

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

Short Term Creditors	2016/2017 £000	2015/2016 £000
Central government bodies	3,924	3,689
Other local authorities	612	670
NHS bodies	893	932
NNDR & Council Tax	7,568	6,978
Accumulated Absences	2,161	3,369
Receipts in Advance	1,172	1,804
Bodies external to general government	8,763	11,588
<b>Total Short Term Creditors</b>	<b>25,093</b>	<b>29,030</b>

## 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.

### Current Year

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

### Comparator Year

	Balance as at 1 April 2015 £000	Increase in provision during year £000	Utilised during year £000	Unwinding of discount £000	Balance as at 31 March 2016 £000	Estimated to be settled:	
						Current Provision £000	Long Term Provision £000
NNDR Appeals	6,512	3,645	(6,512)	0	3,645	2,169	1,476
Insurance Claims	1,544	360	(510)	0	1,394	837	557
Municipal Mutual	59	0	0	0	59	0	59
Other	27	0	(9)	0	18	18	0
	<b>8,142</b>	<b>4,005</b>	<b>(7,031)</b>	<b>0</b>	<b>5,116</b>	<b>3,024</b>	<b>2,092</b>

### National Non-Domestic Rates Appeals (NNDR)

This provision has been established to meet the council's share of the estimated costs of settling appeals against the NNDR valuation of properties currently lodged with the Valuation Office Agency (VOA). The figure of £4.8m is the council's share of the full £9.8m appeals provision made from the collection fund.

### Insurance Claims

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

### Municipal Mutual

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

### Other

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

## Note 25 Usable Reserves

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

## Note 26 Unusable Reserves

### Unusable Reserves

	2016/2017 £000	2015/2016 £000
Capital Adjustment Account	223,421	190,502
Revaluation Reserve	108,106	107,183
Deferred Capital Receipts Reserve	678	0
Pensions Reserve	(231,303)	(226,642)
Collection Fund Adjustment Account	(1,711)	68
Accumulated Compensated Absences Adjustment Account	(2,162)	(3,369)
<b>Total Unusable Reserves</b>	<b>97,029</b>	<b>67,742</b>

### Capital Adjustment Account

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

	2016/2017		2015/2016	
	£000	£000	£000	£000
<b>Balance at 1 April 2016</b>		<b>190,502</b>		<b>198,374</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	(22,153)		(16,599)	
Revaluation losses on Property, Plant and Equipment	(2,119)		(1,247)	
Amortisation of Intangible Assets	(147)		(77)	
Revenue expenditure funded from capital under statute	(1,967)		(13,850)	
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	(3,524)		(19,877)	
		<b>(29,910)</b>		<b>(51,650)</b>
Adjusting amounts written out of the Revaluation Reserve		5,910		7,526
<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(24,000)</b>		<b>(44,124)</b>
<b>Capital financing applied in the year:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	0		3,676	
Application of grants to capital financing from the Capital Grants Unapplied Account	3,032		8,544	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	8,461		13,487	
Statutory provision for the financing of capital investment charged against the General Fund balance	5,342		7,247	
Capital expenditure charged against the General Fund balance	592		340	
		<b>17,427</b>		<b>33,294</b>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		1,992		2,958
Donated Asset credited to the Comprehensive Income and Expenditure Statement		37,500		0
<b>Balance at 31 March 2017</b>		<b>223,421</b>		<b>190,502</b>

### 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.

	2016/2017 £000	2015/2016 £000
<b>Balance at 1 April 2016</b>	107,183	97,746
Upward revaluation of assets	6,833	16,963
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	<b>6,833</b>	<b>16,963</b>
Difference between fair value depreciation and historical cost depreciation	(4,811)	(2,847)
Revaluation balances on assets scrapped or disposed of	(1,099)	(4,679)
Amount written off to the Capital Adjustment Account	<b>(5,910)</b>	<b>(7,526)</b>
<b>Balance at 31 March 2017</b>	<b>108,106</b>	<b>107,183</b>

### 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.

	2016/2017 £000	2015/2016 £000
<b>Balance at 1 April</b>	<b>0</b>	<b>0</b>
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	678	0
Transfer to the Capital Receipts Reserve upon receipt of cash	0	0
<b>Balance at 31 March</b>	<b>678</b>	<b>0</b>

### Pensions Reserve

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

	2016/2017 £000	2015/2016 £000
<b>Balance at 1 April</b>	<b>(226,642)</b>	<b>(287,942)</b>
Re-measurements of the net defined benefit liability/(asset)	4,442	74,620
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	(27,446)	(30,955)
Employers pensions contributions and direct payments to pensioners payable in the year	18,343	17,635
<b>Balance at 31 March</b>	<b>(231,303)</b>	<b>(226,642)</b>

### 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.

	2016/2017 £000	2015/2016 £000
<b>Balance at 1 April</b>	68	1,821
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	(1,779)	(1,753)
<b>Balance at 31 March</b>	<b>(1,711)</b>	<b>68</b>

### Accumulating Compensated Absences Adjustment Account

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

	2016/2017 £000	2015/2016 £000
<b>Balance at 1 April</b>	<b>(3,369)</b>	<b>(3,161)</b>
Settlement or cancellation of accrual made at the end of the preceding year	3,369	3,161
Amounts accrued at the end of the current year	(2,162)	(3,369)
<b>Balance at 31 March</b>	<b>(2,162)</b>	<b>(3,369)</b>

## Note 27 Cashflow from Operating Activities

The cash flows for operating activities include the following items:

	2016/2017 £000	2015/2016 £000
Interest Paid	(6,187)	(5,916)
Interest Received	54	165

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

	2016/2017 £000	2015/2016 £000
<b>Adjustment to surplus or deficit on the provision of services for noncash movements</b>		
Depreciation	22,153	16,599
Impairment & downward valuations	2,119	1,247
Amortisation	147	77
Increase/(Decrease) in impairment for bad debts	191	(496)
(Increase)/Decrease in Inventories	(6)	88
(Increase)/Decrease in Debtors	(5,487)	(961)
Increase/(Decrease) in Creditors	182	470
Movement in pension liability	9,103	13,320
Carrying amount of non-current assets sold	2,425	19,877
Movement in provisions	1,132	(3,026)
Movement in value of investments properties	(1,992)	(2,958)
Adjust for Impairment reduction on cash equivalents		
	<b>29,967</b>	<b>44,237</b>
<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>		
Proceeds from the sale of PP&E, investment property and intangible assets	(2,469)	(3,676)
Capital grants include in Taxation & non-specific grant income	(11,496)	(17,426)
	<b>(13,965)</b>	<b>(21,102)</b>

## Note 28 Cashflow from Investing Activities

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

	2016/2017 £000	2015/2016 £000
Purchase of PP&E, investment property and intangible assets	(68,798)	(27,581)
Purchase of Long Term Investments	0	0
Proceeds from the sale of PP&E, investment property and intangible assets	3,706	1,203
Capital Grants and Contributions Received	11,496	17,426
Other Receipts from Investing Activities	0	0
<b>Net Cash flows from Investing Activities</b>	<b>(53,596)</b>	<b>(8,952)</b>

## Note 29 Cashflow from Financing Activities

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

	2016/2017 £000	2015/2016 £000
Appropriation to/from Collection Fund Adjustment Account	1,778	1,753
Cash Receipts of short and long term borrowing	94,000	46,500
Cash payments for the reduction of the outstanding liability relating to a finance lease	0	(56)
Repayment of Short and Long Term Borrowing	(65,908)	(18,948)
Council Tax and NNDR Adjustments	(1,330)	(4,257)
<b>Net Cash flows from Financing Activities</b>	<b>28,540</b>	<b>24,992</b>

## Note 30 Trading Operations

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

	2016/2017			2015/2016		
	Expenditure £000	Income £000	Net Expenditure/ (Income) £000	Expenditure £000	Income £000	Net Expenditure/ (Income) £000
Fleet Management & Maintenance	4,693	(5,792)	(1,099)	4,817	(5,715)	(898)
Catering	5,827	(5,483)	344	5,673	(5,646)	27
Markets	483	(475)	8	602	(431)	171
Building Control	360	(413)	(53)	563	(330)	233
Building Cleaning/ Maintenance	1,770	(1,628)	142	2,028	(1,679)	349
<b>Total</b>	<b>13,133</b>	<b>(13,791)</b>	<b>(658)</b>	<b>13,683</b>	<b>(13,801)</b>	<b>(118)</b>

## Note 31 Pooled Budgets

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

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

Fund 2 – Capital Provision – Total value of £2,187k (£1,736k received from DCLG (relating to Disabled Facilities Grant) and £424k carried forward from the Department of Health (relating to Social Care Capital Grant). The fund is hosted by North Lincolnshire Council.

Fund 3 – Social Care Provision – Total value of £6,224k. The fund is hosted by North Lincolnshire Council.

2015/2016	2015/2016	2015/2016	2015/2016		2016/2017	2016/2017	2016/2017	2016/2017
Learning Disability £000	Mental Health £000	Better Care Fund (2) £000	Better Care Fund (3) £000		Learning Disability £000	Mental Health £000	Better Care Fund (2) £000	Better Care Fund (3) £000
				<b>Funding provided to the pooled budget:</b>				
7,194	2,395	1,364	0	The Council	7,738	1,944	2,187	0
410	11,890	0	7,224	The CCG	415	12,018	0	6,224
<b>7,604</b>	<b>14,285</b>	1,364	7,224		<b>8,153</b>	<b>13,962</b>	<b>2,187</b>	<b>6,224</b>
				<b>Expenditure met from the pooled budget:</b>				
7,198	2,686	940	7,224	The Council	7,576	2,910	1,127	6,224
410	11,891	0	0	The CCG	617	12,018	0	0
<b>7,608</b>	<b>14,577</b>	940	7,224		<b>8,193</b>	<b>14,928</b>	<b>1,127</b>	<b>6,224</b>
<b>(4)</b>	<b>(292)</b>	<b>424</b>	<b>0</b>	<b>Net surplus/(deficit) arising on the pooled budget during the year</b>	<b>(40)</b>	<b>(966)</b>	<b>1,060</b>	<b>0</b>
				<b>Council share of 94.91%/13.92% of the net surplus arising on the pooled budget</b>	<b>(38)</b>	<b>(134)</b>		

## Note 32 Members' Allowances

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

	2016/2017 £000	2015/2016 £000
Allowances	537	537
Expenses	29	31
	<b>566</b>	<b>568</b>

## Note 33 Officers' Remuneration

During 2016/2017 the council has undergone a management re-structure. Therefore a direct comparison of the officer's remuneration has not been possible. The tables below show the 2015/2016 structure and associated figures, the 2016/2017 structure and associated figures and also any senior officers whose contracts ended.

Continuing Employees 2016/2017	Basic Salary	Salary Supplement	Benefit in Kind	Compensation for Loss of Office	Pension Contribution	Total	
	£	£	£	£	£		
Executive Director of People and Transformation (Head of Paid Service)	2016/2017	60,000	3,600	0	0	13,678	77,278
Director of Operations	2016/2017	15,794	948	0	0	3,522	20,264
Director of Children & Community Resilience	2016/2017	16,946	1,017	0	0	3,779	21,742
Director of Adults & Community Well-being	2016/2017	16,344	981	1,189	0	3,645	22,159
Director of Learning, Skills & Culture	2016/2017	15,656	939	0	0	3,491	20,086
Director of Governance and Partnerships	2016/2017	14,477	869	0	0	3,228	18,574
Director of Business Development	2016/2017	14,477	869	0	0	3,228	18,574
Executive Director Commercial	2016/2017	14,866	892	0	0	3,315	19,073
Director of Public Health (Vacant) *	2016/2017	0	18,056	0	0	2,582	20,638
	2015/2016	71,890	2,157	0	0	10,589	84,636
<b>TOTALS</b>	<b>2016/2017</b>	<b>168,560</b>	<b>28,171</b>	<b>1,189</b>	<b>0</b>	<b>40,468</b>	<b>238,388</b>
	<b>2015/2016</b>	<b>71,890</b>	<b>2,157</b>	<b>0</b>	<b>0</b>	<b>10,589</b>	<b>84,636</b>

\* During 2016/2017, cover for the Director of Public Health post was provided by the Director of Public Health for North East Lincolnshire Council (NELC). NELC was reimbursed for the cost of this. An appointment to the Director of Public Health post has now been made and the individual will commence employment during 2017/2018.

Resigned, Redundant, Re-designated or Retired Employees	Basic Salary	Salary Supplement	Benefit in Kind	Compensation for Loss of Office	Pension Contribution	Total	
	£	£	£	£	£		
Chief Executive	2016/2017	71,404	0	2,771	88,588	155,435	318,198
	2015/2016	129,699	0	5,245	0	28,923	163,867
Director of Policy & Resources	2016/2017	91,800	5,578	0	51,056	73,877	222,311
	2015/2016	91,800	2,247	4,530	0	20,471	119,048
Director of People	2016/2017	61,250	12,425	0	0	15,958	89,633
	2015/2016	120,000	6,300	0	0	27,406	153,706
Director of Places	2016/2017	76,006	4,453	0	0	16,949	97,408
	2015/2016	91,800	0	11,055	0	20,471	123,326
<b>TOTALS</b>	<b>2016/2017</b>	<b>300,460</b>	<b>22,456</b>	<b>2,771</b>	<b>139,644</b>	<b>262,219</b>	<b>727,550</b>
	<b>2015/2016</b>	<b>433,299</b>	<b>8,547</b>	<b>20,830</b>	<b>0</b>	<b>97,271</b>	<b>559,947</b>

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

	2016/2017				2015/2016			
	Teachers	Other Staff	Terminated Employment	Total	Teachers	Other Staff	Terminated Employment	Total
£50,001 to £55,000	21	31	0	52	21	27	1	49
£55,001 to £60,000	18	16	1	35	22	15	0	37
£60,001 to £65,000	8	8	0	16	11	10	2	23
£65,001 to £70,000	10	5	1	16	10	7	0	17
£70,001 to £75,000	3	5	0	8	2	2	0	4
£75,001 to £80,000	1	1	1	3	0	2	1	3
£80,001 to £85,000	1	0	0	1	2	1	1	4
£85,001 to £90,000	4	0	0	4	1	1	0	2
£90,001 to £95,000	1	0	1	2	2	0	0	2
£95,001 to £110,000	3	0	1	4	1	0	0	1
	<b>70</b>	<b>66</b>	<b>5</b>	<b>141</b>	<b>72</b>	<b>65</b>	<b>5</b>	<b>142</b>

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017
							£000	£000
£0-£20,000	18	9	50	37	68	46	460	345
£20,001 - £40,000	0	0	6	5	6	5	159	121
£40,001 - £150,000	0	0	3	5	3	5	225	482
<b>Total cost included in bandings</b>							<b>844</b>	<b>948</b>
<b>Add: Amounts provided for in CIES not included in bandings</b>							<b>(178)</b>	<b>0</b>
<b>Total cost included in CIES</b>							<b>666</b>	<b>948</b>

## Note 34 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.

	2016/2017 £000	2015/2016 £000
Fees payable to KPMG with regard to external audit services carried out by the appointed auditor for the year	104	104
Fees payable in respect of grants provided by KPMG during the year	22	20
Fees payable in respect of other services provided by KPMG during the year	7	43
	<b>133</b>	<b>167</b>

## Note 35 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 2014. The Schools Budget includes elements for a range of educational services provided on a council-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2016/2017 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total
Final DSG for 2016/2017 before Academies recoupment	20,144	102,607	122,751
Academy figure recouped for 2016/2017	0	(46,107)	(46,107)
<b>Total DSG after academy recoupment for 2016/2017</b>	<b>20,144</b>	<b>56,500</b>	<b>76,644</b>
Plus: Brought forward from 2015/2016	2,858	0	2,858
Less: Carry forward to 2017/2018 (agreed in advance)	0	0	0
<b>Agreed initial budgeted distribution in 2016/2017</b>	<b>23,002</b>	<b>56,500</b>	<b>79,502</b>
In year adjustments	0	0	0
<b>Final budget distribution for 2016/2017</b>	<b>23,002</b>	<b>56,500</b>	<b>79,502</b>
Less: Actual central expenditure	(20,636)		(20,636)
Less: Actual ISB deployed to schools		(56,500)	(56,500)
Plus: Local authority contribution for 2016/2017	0	0	0
<b>Carry forward to 2017/2018</b>	<b>2,366</b>	<b>0</b>	<b>2,366</b>

## Note 36 Grant Income

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

	Note	2016/2017 £000	2015/2016 £000
<b>Credited to Taxation and Non-Specific Grant Income</b>			
Revenue Support Grant	13	(20,511)	(26,731)
Other non-ring-fenced grants	13	(1,818)	(1,812)
New Homes Bonus	13	(3,225)	(2,735)
Council Tax Reduction Grant	13	0	(676)
Capital Grants	13	(11,496)	(17,426)
Business Rates Retention Grant	13	(1,424)	(1,630)
Donations	13	(37,500)	0
<b>Total</b>		<b>(75,974)</b>	<b>(51,010)</b>
<b>Credited to Services</b>			
Dedicated Schools Grant		(76,684)	(75,232)
DWP - Rent Allowance Subsidy		(42,784)	(45,425)
Public Health England		(9,803)	(8,951)
EFA- Pupil Premium		(4,691)	(4,655)
Scunthorpe Steel Support Package		(1,885)	0
EFA - Free School Meals		(1,427)	(1,385)
Skills Funding Agency		(1,425)	(1,243)
Transformation Challenge Award - Shared Services		0	(1,900)
<b>Total</b>		<b>(138,699)</b>	<b>(138,791)</b>

## Note 37 Related Parties

### Related Parties

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

### Central Government

Central government has significant influence over the general operations of the council – it is responsible for providing statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grants receipts are shown in Note 36.

### Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2016/2017 is shown in Note 32. During 2016/2017, works and services to the value of £411k were commissioned from companies in which twelve members had an interest. Contracts were entered into in full compliance with the council's standing orders. In addition, cabinet members paid grants totalling £252k to voluntary organisations in which twenty four members had interests and £376k to charities in which ten members had interests. In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the payments.

### Officers

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

One officer was the council's nominee Director of Engage North Lincolnshire. This company is a Local Education Partnership and was established to manage the council's Building Schools for the Future project. In year spend with this company was £388k. Two officers were the council's nominee board members for the social enterprise PHASE CIC. In year spend was £808k.

## Note 38 Capital Expenditure and Capital Financing

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

Capital Expenditure and Capital Financing	2016/2017 £000	2015/2016 £000
Opening Capital Financing Requirement	<b>184,023</b>	<b>177,822</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	64,642	22,976
Investment Properties	258	2,277
Intangible Assets	271	392
Revenue Expenditure Funded from Capital under Statute	1,967	13,850
	<b>67,138</b>	<b>39,495</b>
<b>Sources of finance</b>		
Capital receipts	0	(3,676)
Government grants and other contributions	(48,993)	(22,031)
<b>Sums set aside from revenue:</b>		
Direct revenue contributions	(592)	(340)
Minimum Revenue Provision	(5,342)	(7,247)
	<b>(54,927)</b>	<b>(33,294)</b>
Closing Capital Finance Requirement	<b>196,234</b>	<b>184,023</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrow (unsupported by government financial assistance)	12,211	6,201
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>12,211</b>	<b>6,201</b>

## Note 39 Leases

### Finance Leases (council as lessee)

The council has acquired a number of vehicles under finance leases. The assets acquired under these leases are carried as vehicles, plant and equipment in the Balance Sheet. The primary rental period for those assets have concluded during this financial year.

	2016/2017 Vehicles £000	2015/2016 Vehicles £000
Cost or Valuation		
Opening Balance	723	723
Additions	0	0
Disposals	0	0
	<b>723</b>	<b>723</b>
Depreciation		
Opening Balance	667	558
Disposals	0	0
Provided for year	56	109
	<b>723</b>	<b>667</b>
Net Book Value		
Closing Balance	0	56
Opening Balance	56	165

There are no finance lease payments due in the future.

### Operating Leases (council as lessee)

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

There are no future minimum lease payments due under non-cancellable leases in future years:

	2016/2017 £000	2015/2016 £000
<b>Minimum lease rentals payable:</b>		
No later than 1 year	0	0
Later than 1 year and no later than 5 years	0	0
Later than 5 years	0	0

The expenditure charged to services in the CIES during the year in relation to these leases was:

	2016/2017 £000	2015/2016 £000
Minimum lease payments	0	90
	<b>0</b>	<b>90</b>

No sub-lease payments or contingent rent payments were made or received. No sublease income is expected as all assets held under operating lease agreements are used exclusively by the council.

### Operating Leases (council as lessor)

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

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

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

	2016/2017 Land and Buildings £000	2015/2016 Land and Buildings £000
Minimum lease rentals receivable:		
No later than 1 year	3,464	82
Later than 1 year and no later than 5 years	9,725	2,010
Later than 5 years	103,653	108,850
	<b>116,842</b>	<b>110,942</b>

## Note 40 Impairment Losses

During 2016/2017, the council has recognised an impairment loss of £1.4m in relation to its disposal and demolition of surplus buildings programme (mainly the former Priory lane Infants school) and £11.8m in relation to the Priority School Buildings Programme where the existing schools were demolished. The one exception was Baysgarth where some blocks of the existing school remained.

Any non-enhancing spend was also impaired. This included retention payments for Frederick Gough School and The Pods.

## Note 41 Termination Benefits

The council terminated the contracts of a number of employees in 2016/2017, incurring liabilities of £948k (£666k in 2015/2016) – see Note 33 for the number of exit packages and total cost per band.

In 2016/2017 the council began a major review of its executive management team. The four most senior posts were deleted and replaced by two Executive Director posts. The Chief Executive and the Director of Policy and Resources left the council.

## Note 42 Pension Schemes Accounted for as Defined Contribution Schemes

### Teachers

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

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

The Scheme has 3,700 participating employers and consequently the council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2016/2017, the council paid £4.7m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay. The figures for 2015/2016 were £4.2m and 15.5%. There were no contributions remaining payable at the year-end. The contributions due to be paid in the next financial year are estimated to be £4.7m.

The council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 43.

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. The scheme is run on the same basis as the teachers' pension scheme. The scheme has over 1.3m active members.

In 2016/2017 the council paid £95k to the NHS Pension Scheme in respect of the retirement benefits of public health staff representing 14.3% of pensionable pay. In 2015/2016 the council paid £111k to the NHS Pension Scheme, representing 14.3% of pensionable pay. There were no contributions remaining payable at the year-end. Contributions due to be paid in the next financial year are estimated to be £95k.

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

## Note 43 Defined Benefit Pension Schemes

### Participation in the Local Government Pension Scheme

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

The council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by East Riding of Yorkshire Council - this is a funded defined benefit final salary scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However there are no investment assets built up to meet these liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

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

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

### Discretionary Post-retirement Benefits

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

### Transactions relating to Post-Employment Benefits

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

	Local Government Pension Scheme		Discretionary Benefits	
	2016/2017	2015/2016	2016/2017	2015/2016
	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of services:</i>				
<i>Service cost comprising:</i>				
Current service cost	19,034	21,601	0	0
Past service cost	465	76	0	0
(Gain)/loss from settlements	0	0	0	0
<i>Financing and Investment Income and Expenditure:</i>				
Net Interest expense	7,947	9,278	0	0
<b>Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>27,446</b>	<b>30,955</b>	<b>0</b>	<b>0</b>
<i>Other post-employment benefits charged to the CIES</i>				
Re-measurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(87,710)	10,818	0	0
Actuarial gains and losses arising on changes in demographic assumptions	(13,629)	0	0	0
Actuarial gains and losses arising on changes in financial assumptions	123,449	(72,401)	2,282	(1,640)
Other	(28,834)	(11,397)	0	0
<b>Total post-employment benefits charged to the CIES</b>	<b>20,722</b>	<b>(42,025)</b>	<b>2,282</b>	<b>(1,640)</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(27,446)	(30,955)	0	0
<b>Actual amount charged against the general fund balance for pensions in the year:</b>				
Employers' contributions payable to scheme	16,435	15,672		
Retirement benefits payable to pensioners			1,908	1,963

## 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	
	2016/2017	2015/2016	2016/2017	2015/2016
	£000	£000	£000	£000
Present value of the defined obligation	(840,487)	(730,664)	(26,568)	(26,194)
Fair value of plan assets	635,752	530,216	0	0
<b>Net liability arising from the defined benefit obligation</b>	<b>(204,735)</b>	<b>(200,448)</b>	<b>(26,568)</b>	<b>(26,194)</b>
<b>Total Liability</b>	<b>(231,303)</b>	<b>(226,642)</b>		

## Reconciliation of movements in the fair value of scheme assets

	Local Government Pension Scheme		Discretionary Benefits	
	2016/2017	2015/2016	2016/2017	2015/2016
	£000	£000	£000	£000
Opening fair value of scheme assets	530,216	523,806		
Interest income	18,532	16,769		
Re-measurement gain/(loss):				
the return on plan assets, excluding the amount included in the net interest expense	87,710	(10,818)		
Other (if applicable)	0	0		
The effect of changes in foreign exchange rates				
Contributions from employer	16,435	15,672	1,908	1,963
Contributions from employees into the scheme	4,421	4,339		
Benefits/transfers paid	(21,562)	(19,552)	(1,908)	(1,963)
Other (if applicable)	0	0		
<b>Closing value of scheme assets</b>	<b>635,752</b>	<b>530,216</b>	<b>0</b>	<b>0</b>

## Reconciliation of present value of the scheme liabilities:

	Local Government Pension Scheme		Discretionary Benefits	
	2016/2017	2015/2016	2016/2017	2015/2016
	£000	£000	£000	£000
<b>Opening balance at 1 April</b>	<b>(730,664)</b>	<b>(781,951)</b>	<b>(26,194)</b>	<b>(29,797)</b>
Current service cost	(19,034)	(21,601)		
Interest cost	(26,479)	(26,047)		
Contributions from scheme participants	(4,421)	(4,339)		
Re-measurement (gains) and losses:				
Actuarial (gains)/losses from changes in demographic assumptions	13,629	0		
Actuarial (gains)/losses from changes in financial assumptions	(123,449)	72,401	(2,282)	1,640
Other (if applicable)	28,834	11,397		
Past service cost	(465)	(76)		
Losses/(gains) on curtailments where relevant	0	0		
Liabilities assumed on entity combinations				
Benefits/transfers paid	21,562	19,552	1,908	1,963
Liabilities extinguished on settlements (where relevant)	0	0		
<b>Balance as at 31 March</b>	<b>(840,487)</b>	<b>(730,664)</b>	<b>(26,568)</b>	<b>(26,194)</b>

### Local Government Pension Scheme assets comprised:

	2016/2017 £000	2015/2016 £000
Cash and cash equivalents	18,575	14,878
Equities: <i>by industry type</i>		
Consumer	62,366	53,073
Manufacturing	34,610	14,954
Energy and utilities	35,826	33,228
Financial institutions	39,462	65,201
Health and care	37,151	34,326
Information technology	24,347	31,002
Other	221	0
sub-total equity	<b>233,983</b>	<b>231,784</b>
Bonds: <i>by sector</i>		
Corporate (Investment Grade)	9,847	9,080
Corporate (non-Investment Grade)	18,706	10,423
Government	18,847	15,605
Other	19,559	17,730
sub-total bonds	<b>66,959</b>	<b>52,838</b>
Property: <i>by type</i>		
UK Property	74,375	62,525
Overseas Property	0	0
sub-total property	<b>74,375</b>	<b>62,525</b>
Private equity		
UK	29,716	26,740
Overseas	0	0
sub-total private equity	<b>29,716</b>	<b>26,740</b>
Other investment funds:		
Equities	147,743	93,483
Infrastructure	23,085	16,400
Other	41,316	31,568
sub-total other investment funds	<b>212,144</b>	<b>141,451</b>
<b>Total assets</b>	<b>635,752</b>	<b>530,216</b>

### Basis for estimating assets and liabilities

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

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

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

Local Government Pension Scheme		
	2016/2017	2015/2016
<b>Mortality assumptions:</b>		
<i>Longevity at 65 current pensioners:</i>		
Men	21.7	21.9
Women	24.2	24.1
<i>Longevity at 65 for future pensioners:</i>		
Men	23.7	24.2
Women	26.4	26.7
<b>Financial assumptions:</b>		
Rate of increase in salaries	2.6%	3.7%
Rate of increase in pensions	2.4%	2.2%
Discount Rate	2.6%	3.5%
Rate of Inflation (CPI)	2.4%	2.2%

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

Change in assumptions at 31 March 2017	Approximate increase to Employer	
	%	£000
0.5% decrease in Real Discount Rate	9%	82,239
0.5% increase in the Salary Increase Rate	1%	12,911
0.5% increase in the Pension Increase Rate	8%	68,146

### Impact on the Council's Cash Flows

The council's anticipated contributions to the scheme in 2017/2018 is £14.4m.

## Note 44 Contingent Liabilities

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

The council has included a provision of £4.8m (the overall provision in the Business Rates Collection Fund is £9.9m and this council's share of the Local Business Rates Retention scheme is 49%) as at the 31 March 2017. The 2010 Rating List had now closed, and local businesses can only appeal against their Rateable Value in this list in limited circumstances.

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

## Note 45 Contingent Assets

The council does not have any material contingent assets.

## Note 46 Nature and Extent of Risks Arising from Financial Instruments

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

- credit risk – the possibility that other parties might fail to pay amounts due to the council
- liquidity risk – the possibility that the council might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and market pricing of financial instruments.

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

### Credit risk

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

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

The council'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 2017 that this was likely to crystallise.

### Liquidity Risk

The council closely monitors cash flow to ensure that cash is available as needed. If unexpected movements happen, the council has ready access to borrowings from other local authorities and the Public Works Loans Board (PWLb). There is no perceived risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the council may be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The council sets limits on the proportion of its fixed rate borrowing maturing during specified periods. The strategy is shown below:

Maturity structure of borrowing	Upper Limit	Lower Limit
Under 12 months	20%	0%
12 months and within 24 months	15%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	90%	25%

The maturity analysis of financial liabilities is as follows:

	2016/2017 £000	2015/2016 £000
Less than 1 year	28,916	43,071
Between 1 and 2 years	3,215	9,943
Between 2 and 5 years	9,611	3,659
Between 5 and 10 years	44,201	29,418
Between 10 and 20 years	69,270	69,221
Over 20 years	6,247	7,218
	<b>161,460</b>	<b>162,530</b>

### 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.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance £ for £.

The council's strategy for managing interest rate risk is to predominantly borrow at fixed interest rates. Secondly the treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget, and is tracked through monthly budget monitoring reports and periodic budget reviews.

If the interest rate had been 1% higher during 2016/2017 the council would have earned an additional £75k in interest on investments but paid an extra £120k on its variable rate borrowing. If rates had been 1% lower the council would have earned no investment interest and paid no temporary borrowing interest.

### Price risk

The council does not generally invest in equity shares but does have shareholdings in Humberside Airport International Limited and in Engage Limited, the Local Education Partnership (£10k). The council is consequently exposed to losses arising from movements in the prices of the shares, however, the airport shares are carried at a value, after impairment, of zero.

## Collection Fund

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

2015/2016			2016/2017			
Business Rates £000	Council Tax £000	Total £000	Collection Fund	Business Rates £000	Council Tax £000	Total £000
<b>INCOME</b>						
	(72,954)	(72,954)	Council Tax Receivable		(76,183)	(76,183)
(79,014)		(79,014)	Business Rates Receivable	(90,834)		(90,834)
<b>(79,014)</b>	<b>(72,954)</b>	<b>(151,968)</b>	<b>Total amounts to be credited</b>	<b>(90,834)</b>	<b>(76,183)</b>	<b>(167,017)</b>
<b>EXPENDITURE</b>						
<b>Apportionment of Previous Year Surplus/(Deficit)</b>						
(206)		(206)	Central Government	(1,655)		(1,655)
(201)	1,003	802	Billing Authority	(1,622)	2,065	443
(4)	60	56	Fire Authority	(33)	123	90
	135	135	Police Authority		283	283
<b>Precepts, demands and shares</b>						
44,759		44,759	Central Government	44,612		44,612
43,864	59,216	103,080	Billing Authority	43,720	62,244	105,964
895	3,514	4,409	Fire Authority	892	3,668	4,560
	8,122	8,122	Police Authority		8,540	8,540
<b>Charges to Collection Fund</b>						
705	464	1,169	Write-offs of uncollectable amounts	831	369	1,200
201	(22)	179	Increase/(decrease) in allowance for impairment	686	105	791
(5,850)		(5,850)	Increase/(decrease) in allowance for appeals	2,418		2,418
1,255		1,255	Transitional Protection Payments Payable	345		345
251		251	Charge to General Fund for allowable collection costs for non-domestic rates	254		254
<b>Other transfers to General Fund in accordance with non-domestic rates regulations</b>						
156		156	Enterprise Zone Growth	1,048		1,048
1122		1,122	Renewable Energy	2,486		2,486
<b>86,947</b>	<b>72,492</b>	<b>159,439</b>	<b>Total amounts to be debited</b>	<b>93,982</b>	<b>77,397</b>	<b>171,379</b>
<b>7,933</b>	<b>(462)</b>	<b>7,471</b>	<b>(Surplus) /deficit arising during the year</b>	<b>3,148</b>	<b>1,214</b>	<b>4,362</b>
(1,898)	(1,850)	(3,748)	(Surplus)/deficit brought forward at 1 April	6,035	(2,312)	3,723
<b>6,035</b>	<b>(2,312)</b>	<b>3,723</b>	<b>(Surplus)/deficit carried forward at 31 March</b>	<b>9,183</b>	<b>(1,098)</b>	<b>8,085</b>

## Collection Fund Note 1 - Council Tax Income

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

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

Band	Valuation Band Limits		Calculated number of dwellings	Ratio to Band D	Equated number of dwellings	Council Tax Payable
A	Up to 40,000		22,587	6/9	15,058	1,041
B	40,001	-	52,000	7/9	9,768	1,215
C	52,001	-	68,000	8/9	8,283	1,388
D	68,001	-	88,000	9/9	6,622	1,562
E	88,001	-	120,000	11/9	4,085	1,909
F	120,001	-	160,000	13/9	1,917	2,256
G	160,001	-	320,000	15/9	732	2,603
H	More than 320,001		10	18/9	20	3,124
Adjustment for MOD Properties						13
					<b>46,485</b>	
					<b>46,498</b>	

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

(i) Preceptor's Council Tax Requirements	£72,625,383
(ii) Number of Band D equivalent Dwellings	46,498.1
Band D ( (i) divided by (ii) )	£1,561.90

Prior year figures are as follows:

Band	Valuation Band Limits	Calculated number of dwellings	Ratio to Band D	Equated number of dwellings	Council Tax Payable
A	Up to 40,000	21,644	6/9	14,429	1,021
B	40,001 - 52,000	11,998	7/9	9,332	1,191
C	52,001 - 68,000	9,193	8/9	8,172	1,362
D	68,001 - 88,000	6,525	9/9	6,525	1,532
E	88,001 - 120,000	3,264	11/9	3,990	1,872
F	120,001 - 160,000	1,297	13/9	1,874	2,213
G	160,001 - 320,000	437	15/9	728	2,553
H	More than 320,001	11	18/9	22	3,064
				<b>45,071</b>	
Adjustment for MOD Properties				32	
				<b>45,103</b>	

(i) Preceptor's Council Tax Requirements	£69,091,635
(ii) Number of Band D equivalent Dwellings	45,103.1
Band D ( (i) divided by (ii) )	£1,531.86

## Collection Fund Note 2 – Non-Domestic Rates

Non-Domestic Rates are determined on a local basis. The Government specifies an amount and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. In 2016/2017 the amount was 49.7p (49.3p in 2015/2016) and 48.4p for small businesses (48.0p in 2015/2016).

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 2017 was £206,804,501 (as at 31 March 2016, it was £213,720,921).

A national Business Rates revaluation exercise took effect on 1<sup>st</sup> April 2017. The local effect was to reduce the area's total rateable value to circa £194m. This had no effect in 2016/2017 and the Government is making changes to the Rates Retention scheme to minimise the impact on individual councils in future years.

In late 2016/2017 the council was notified of several successful appeals against the valuation on some of the area's power stations. A provision for the full value of the resulting refunds has been made in the 2016/2017 accounts. There is also likely to be a significant repayment of Transitional Relief to Central Government.

## Glossary of Financial Terms

### Financial Abbreviations and roundings

Throughout this document we have used standard financial abbreviations k and m. In this case 'k' means thousands and 'm' means millions e.g. £6k means £6,000 and £1.577m means £1,577,000.

Most of the numbers in the accounts are rounded. Those in the main statements are presented to the nearest 1,000 pounds. Where necessary to ensure that totals are correct, small adjustments have been made to individual figures.

### Glossary

#### **Accruals**

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

#### **Actuary**

Pension expert

#### **Amortisation**

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

#### **Capital Expenditure**

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

#### **Capital Receipts**

Income received from the sale of capital assets.

#### **Cash and Cash Equivalents**

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

#### **Code of Practice (The Code)**

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

#### **Collection Fund**

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

#### **Community Assets**

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

#### **Consistency**

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

#### **Creditors**

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

#### **Current Assets**

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

#### **Current Liabilities**

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

#### **Curtailments (Pension)**

A curtailment is an event that reduces the expected years of future service of present employees, or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Examples might include a

redundancy programme as a result of e.g. closing a factory or the introduction of a defined contribution pension arrangement covering all employees for future service.

**De minimis**

An immaterial amount or balance.

**Debtors**

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

**Dedicated Schools Grant (DSG)**

School funding for local authorities in England is provided by a ring fenced grant.

**Deferred Credits**

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

**Deferred Liabilities**

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

**Depreciation**

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

**Events after the balance sheet date**

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

**Exceptional Items**

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

**Extraordinary Items**

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

**General Fund**

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

**Going Concern**

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

**Government Grants**

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

**Impairment**

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

**International Financial Reporting Standards (IFRSs)**

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

**Intangible Asset**

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

**Infrastructure Assets**

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

**Investment Properties**

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

**Leasing**

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

**Levy**

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

**Liquid Resources**

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

**Long Term Borrowing**

Amounts repayable in more than 12 months.

**Long Term Investments**

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

**Minimum Revenue Provision (MRP)**

The minimum amount which must be charged to an authority's revenue account each year for the repayment of loan principal.

**National Non-Domestic Rate (NNDR)**

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

**Net Current Replacement Cost**

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

**Net Realisable Value**

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

**Non-Operational Assets**

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

**Operational Assets**

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

**Precept**

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

**Property, Plant & Equipment**

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

**Provision**

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

**Prudence**

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

**Public Works Loan Board (PWLB)**

A central government agency, which lends money to local authorities usually at interest rates which are more favourable than those found elsewhere.

**Remuneration**

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

**Reserves**

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

**Revaluation Reserve**

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

**Revenue Expenditure**

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

**Revenue Expenditure Financed From Capital Under Statute (REFCUS)**

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

**Revenue Support Grant (RSG)**

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

**Settlement (Pension)**

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

**Useful Life**

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