



AUDITED FINANCIAL STATEMENTS

For the Year Ended 31 March 2019

C o n t e n t s
FINANCIAL STATEMENTS

	Page
Narrative Report	3 – 14
Statement of Responsibilities	15
 CORE FINANCIAL STATEMENTS	
Comprehensive Income and Expenditure Statement	16
Movement in Reserves Statement	17 – 18
Balance Sheet	19
Cash Flow Statement	20
Notes to the Accounts	21 – 81
 SUPPLEMENTARY FINANCIAL STATEMENTS	
Collection Fund Statement	80
Notes to the Collection Fund Statement	81 – 82
 Independent Auditor’s Report	 83 – 85
 Annual Governance Statement	 86 – 100
 Glossary of Terms	 101 – 106

NARRATIVE REPORT BY ADRIAN SIBLEY - S151 OFFICER FINANCIAL REPORT 2018/19

1. INTRODUCTION

As the Council's statutory Chief Financial Officer I have pleasure in presenting this Narrative Report for East Lindsey's Financial Statements 2018/19. The Narrative Report seeks to provide a summary and straightforward explanation of the often complicated local government finance arrangements. It seeks to summarise the key events during the year, their associated financial impact and hopefully make the Financial Statements easier to understand. The Narrative Report, together with the Annual Governance Statement and the auditor's report, are outside the scope of the formal Accounts, but all of the documents together constitute the Council's Financial Report for 2018/19.

By itself or in conjunction with external partner organisations, the Council remains committed to delivering quality frontline services which its residents want and which will deliver the Council's corporate priorities. Effective financial management at both corporate and service levels is key to delivering services efficiently. The need for this is essential given the significant reductions in Government grant funding that local government has faced and is likely to continue to experience in the years to come. This reduction in funding for local government is one of the biggest challenges being faced across the sector and further information is provided within this report on the impact of the current economic climate on the Authority and the services it provides.

Since the introduction of the requirement for Value for Money conclusions from the external auditors the Council's has always been unqualified. This means that the Council is classified as having proper arrangements in place to secure value for money. During 2018/19 there have been a number of key areas where the Council has focused its activities in order to monitor delivery of its services against its financial plans and develop a Medium Term Financial Strategy which reflects the challenging economic circumstances that the Council is operating in.

Measures in place to ensure effective financial management include:

- Regular and informative financial management reports – available on demand by service managers and produced quarterly to Executive Board and Scrutiny. The reports are aligned to service performance and any relevant governance issues.
- Sound financial practices across the Council.
- Ensuring that money raised from public taxation is used efficiently and effectively to meet local needs and priorities.
- Ensuring that the five year revenue budget and capital programme projections are robust, appropriate and deliverable, so that services can be maintained at the highest quality possible despite the substantial contraction that is projected to take place in both revenue and capital budgets.
- Continuing Organisational Development which aims to reduce revenue costs and increase income in order to meet the ongoing financial challenges that the Council faces.

I hope that this Narrative Report gives a clear picture of the Statement of Accounts and shows how Council Tax and our other sources of income are used to provide the full range of Council Services. The Financial Statements are required to be prepared in line with International Financial Reporting Standards (IFRS). This means that the Council's Accounts (layout and format) are more consistent with those produced in other sectors of the economy. The Statement of Accounts is required by law and sets out the various statutory and other information required by professional practice.

Please provide any feedback and comments on the format and content of the Financial Statements to enable us to make them as user friendly as possible (e-mail customerservices@e-lindsey.gov.uk).

Adrian Sibley, Section 151 Officer.

2. THE 2018/19 FINANCIAL STATEMENTS

The Accounts comply with the relevant accounting practices laid down by the Accounting Standards authorities and the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ('The Code'). Further information is provided within the Accounting Policies section of the Accounts.

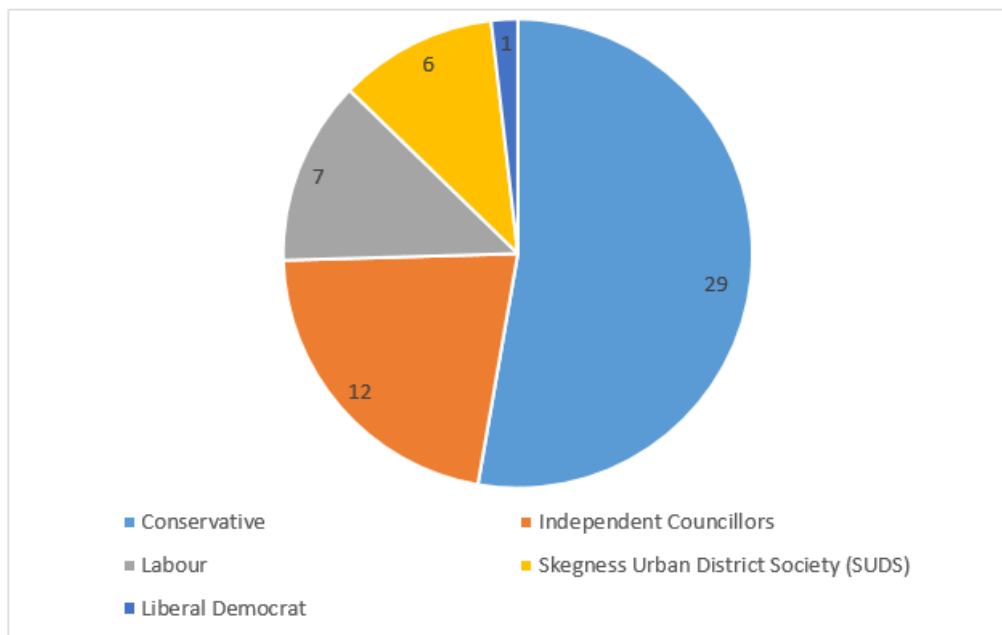
The Accounts give a true and fair view of East Lindsey's financial position for the financial year 2018/19 and the balances as at 31 March 2019. The Council's approved accounting policies have been applied with regard to the Accounts and in producing them, proper and up to date accounting records were kept and all reasonable steps were taken to prevent and detect fraud and any other irregularities.

The Section 151 Officer is the statutory officer responsible for the proper administration of the Council's financial affairs (referred to in the Statements as the Chief Financial Officer). He is required by law to confirm that the Council's system of internal control can be relied upon to produce an accurate Statement of Accounts. His statement of assurance for 2018/19 (known as the Statement of Responsibilities) appears on page 15.

3. SUMMARY OF THE 2018/19 FINANCIAL AND NON FINANCIAL PERFORMANCE

3.1 East Lindsey District Council

East Lindsey has 163 parishes, 37 wards, 55 Councillors and, after the elections on 2 May 2019, a political make up as follows:



The Council strives to deliver excellent services and great value for money for its residents. The Council has adopted a Leader and Executive Board model for its political structure, with members of the Executive having a portfolio of service responsibilities. Decisions and actions are scrutinised through an Overview Committee and an Audit and Governance Committee, as set out in its Constitution.

3.2 Service Performance

The Council has a Senior Management Team to support the work of the Councillors and also a team of service managers to support the delivery of services.

The Council's Corporate Strategy 2014-2018 sets out the commitment the Council has made to residents of the District in the areas of economic and skill development, thriving and attractive towns, reduction of inequalities, provision of quality homes and the development of the area as an attractive place for residents and visitors. This is in the process of being updated for the next few years following recent local elections.

The Council proactively monitors delivery of its services through a number of Key Performance Indicators (KPIs) which are linked to priorities within the Corporate Strategy. The KPIs are monitored by the Council's Performance Team and reported to Management Team on a monthly basis and to the Council's Executive Board and Overview Committee on a quarterly basis. In 2018/19 the Council monitored a total of 35 KPIs. Out of the 35 KPIs there are 25 indicators (19 of which were on or above target) which are measured against targets and a further 10 indicators that do not have targets set but are measured against year on year performance (trend indicators). A selection of KPIs at March 2019 is as follows:

Planning Applications (MHCLG targets):	
99.39% - majors decided in timescale	😊
99.31% - non-majors decided in timescale	😊
Housing and Wellbeing:	
97.56% of wellbeing service users self-report higher exit score	😊
519 cases where homelessness has been prevented by action	↓
Waste (provisional figures from Quarter 3):	
Residual waste – 360.11kg per household	↑
Recycling rate – 32.5%	↓
Total – 297.25kg per head	↓
Magna Vitae (Participation):	
Physical activity and sport – 847,785	😊
Arts and cultural activity – 158,632	😞
Housing Benefit and Council Tax Support:	
Housing Benefit LA Error Rate – 0.14%	😊
Housing Benefit new claims – 17.81 days	😊
Housing Benefit changes – 6.93 days	😊
Council Tax Support new claims – 17.53 days	😊
Council Tax Support changes – 6.96 days	😊

In addition the Council:

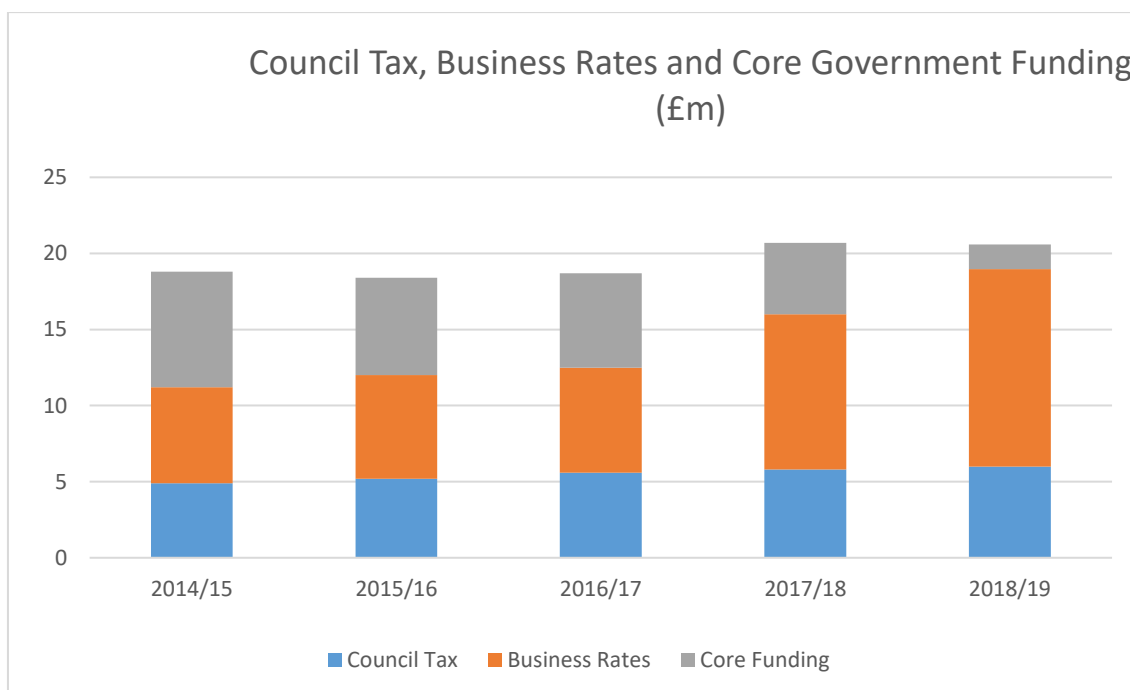
- Led a successful cross-Lincolnshire bid to provide Wellbeing Services throughout the county from 1 April 2018.
- Continued to support Magna Vitae trust for Leisure and Culture enabling them to reduce their service fee to the Council as part of their new 5 year business plan.
- Was part of a successful joint Lincolnshire bid to pilot 100% Business Rates retention in 2018/19.
- Supported the establishment of a Lincolnshire Coastal Business Improvement District (BID). The BID was launched in 2017 and is delivering projects to improve the opportunities for businesses in the designated area.
- Continued a programme of works to upgrade its footway lighting to new LED units which will provide improved lighting for residents and reduce running costs.
- Reviewed the way services could be accessed and has made more services available through on line facilities.
- Continued the implementation of its enhanced CCTV facility in conjunction with Boston Borough Council.
- Provided support for small businesses through the provision of Micro Business Grants.
- Spent £1.4m on Disabled Facility grants to help disabled residents to continue living independently.
- Worked proactively with many of our more vulnerable residents to provide advice on housing, health, money management and access to education and training.
- Progressed its new Asset Management Plan (2016-2026) to clarify and develop the Council's approach to management of its assets in the delivery of its strategic objectives. It carried out a number of place-based asset reviews during the year.

3.3 Financial Context of the Council

The financial activities of the Council can be split between revenue and capital and, in general terms, can be defined as follows:

- Income and expenditure within the revenue accounts of the Council relate to items consumed within the year on the provision of day to day services.
- Income and expenditure within the capital accounts relate to items with a life in excess of one year and provide or maintain an asset for the Council.

In common with all areas of local government the Council has seen a steady decline in its core funding support from the Government (shown in grey below), which is provided to support revenue expenditure. This has put an increased pressure on levels of Council Tax and against this background the authority has had to demonstrate sound financial management. However as the Council was part of a Pilot scheme for Business Rates in 2018/19 it has seen a one off growth on business rates funding for the year, also the Council has benefited from business rates growth over the previous year.



In order to continue to deliver the required levels of service, year on year it has delivered annual levels of savings through minimising expenditure and maximising income.

3.4 Council Finances in 2018/19

The accounting statements provide the formal presentational analysis of how the Council has used the resources available to it in the year, and the balances held at the year end. The following paragraphs provide detail on the following information within the Statements:

- The amount of revenue expenditure, how it was paid for and how it compared to budget
- The amount of capital expenditure, how it was paid for and how it compared to budget
- Reserves
- The Balance Sheet or net worth of the Council
- A financial Overview of 2018/19, together with any unusual or material issues to be noted, and
- Future financial challenges.

Revenue Income and Expenditure

To fund its day to day expenditure the Council receives money from various sources. The following section reviews the money received by the Council in 2018/19 and how it was spent.

Income comes primarily from the following sources:

1. Central Government Revenue Support Grant (RSG)
2. Localised Business Rates
3. Council Tax
4. Other government grants e.g. New Homes Bonus, Housing Benefit Subsidy
5. Fees and charges for services
6. Non-government grants from organisations such as Lincolnshire County Council and National Lottery.

The Council's revenue expenditure is aimed at delivering services in accordance with local priorities as well as those services that we have to provide by law.

The Council's Net Revenue Budget, that is gross expenditure less fees and charges and service specific grants, is funded from the estimated levels of Business Rates, some non-specific government grants and Council Tax. The revised net budget for the Council was £22.388m including Parish Precepts.

Table 1 provides a summary of the Council's revenue outturn position for 2018/19. The Council's Outturn report presented to members on 29 May 2019 provides more detail about the income and expenditure of the Council and the various variances from its revised budget.

Portfolio Holder Area	Revised Budget 2018/19	Outturn	Variance from Budget
	£'000	£'000	£'000
Coastal, Market Town and Rural Economy	(542)	(449)	93
Communities	(495)	28	523
Finance	1,107	(42)	(1,149)
Leader of the Council	(1,997)	(1,998)	(1)
Operational Services	(3,097)	(3,489)	(392)
Partnerships	(5,737)	(6,036)	(299)
Planning	(530)	(353)	177
Net Service Expenditure	(11,291)	(12,339)	(1,048)
IDB and Parish Precepts	(5,865)	(5,865)	-
Investment Income	480	898	418
Capital Financing and other adjustments	(6,965)	(2,148)	4,817
(Increase)/Decrease in Impairment Allowance	(280)	19	299
Net Transfers (to)/from reserves	1,533	(4,607)	(6,140)
General Fund Budget	(22,388)	(24,042)	(1,654)
Funding (Council Tax, Government grants and business rates)	22,388	24,042	1,654
Total Budget Surplus	-	-	-

The Expenditure and Funding Analysis on page 36 includes an element of Public Sector Partnership Services (formerly Compass Point Business Services) Income and Expenditure where the above table relates solely to the financial position of East Lindsey.

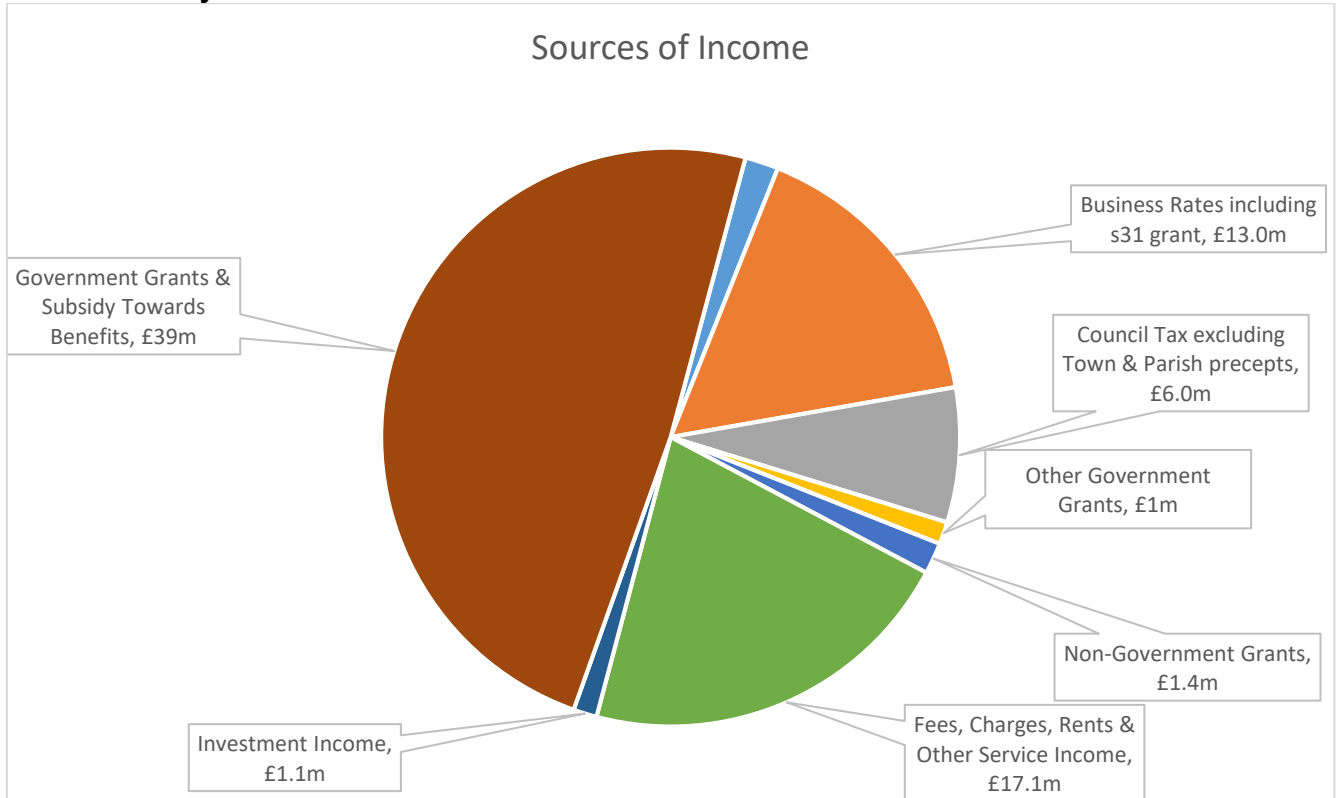
The Council achieved a £825k surplus outturn position predominantly due to increased income on housing benefits and receiving unbudgeted grant income in relation to retained business rates. The Council has retained the £825k budget surplus to fund the Council's future capital programme.

Capital expenditure, and the use of reserves to fund this expenditure, are £5.6m lower than budgeted, and result in the large £5.6m variances shown in these two areas on the table above.

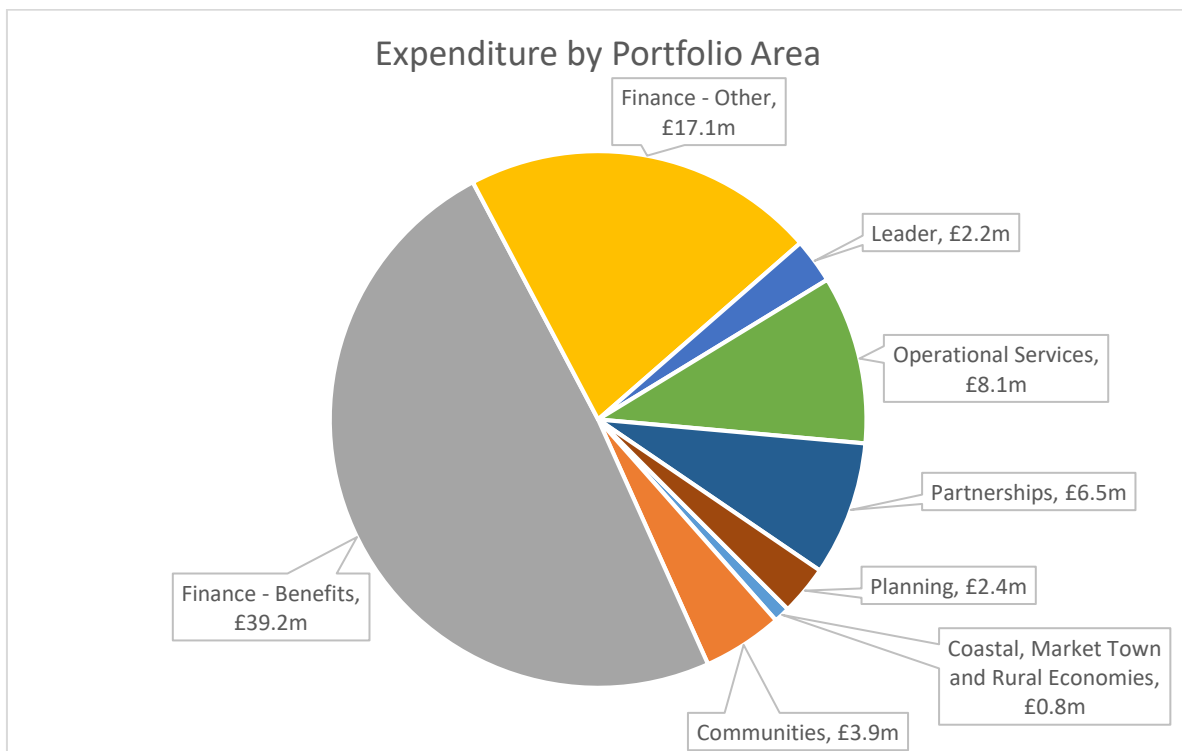
Sources of Funding and Areas of Expenditure

The charts below show where we got our money from in 2018/19 and how it was spent on services (analysed by the relevant Executive Board Portfolio areas of responsibility).

Where the money comes from



What the money was spent on by Portfolio



In 2018/19 the Council Portfolios covered the following services:

1. **Planning:** planning, development control and planning policy, building control, planning enforcement and land charges, caravan and scrap metal licensing.
2. **Partnerships:** Cultural activities, health improvements, sports development and leisure facilities, tourist information centres, customer service centres, information technology services, community safety and CCTV.
3. **Coastal, Market Town and Rural Economies:** economic development, tourism and markets.
4. **Communities:** Affordable housing development, housing and welfare support, homelessness, houses in multiple occupation, disabled facility grants, community grants.
5. **Operational Services:** Waste and trade refuse collection, waste enforcement, environmental protection, flooding and emergency planning, food safety, health and safety, public health, street cleaning, parks, open spaces and play areas, beaches and foreshore, public conveniences, arboriculture, car parks.
6. **Leader:** Public relations and communications, members, elections, Council performance, information management and FOI requests.
7. **Finance Other:** Corporate resources (Council tax, business rates and government grants), investments, pensions, Internal Drainage Board levies, parish precepts, licensing, caravan parks, property management, footway lighting, audit
8. **Finance Benefits:** housing benefits and subsidies.

Capital Expenditure

As well as delivering day to day services, the Council also spends money on capital items, which generally become assets. These assets may be property, plant or equipment owned by the Council or grants made to other organisations and individuals towards capital expenditure that they are incurring e.g. grants towards new affordable housing or Disabled Facility Grants. The Council's 2018/19 Capital Strategy, approved at Council in February 2018, provided the framework within which the Council's capital investment plans were to be delivered. The capital programme for 2018/19 to 2022/23 mirrored the Council's overall Medium Term Financial Strategy and aims to ensure that available resources match planned expenditure.

In 2018/19 the Council spent £23.659m on capital projects. Additional unspent budgeted expenditure totalling £5.5m has been carried forward in to the 2019/20 capital programme where projects are ongoing.

The main areas of spend and how they were funded are illustrated in the following table.

Capital Outturn 2018/19

Area of expenditure and Funding	Approved capital programme	2018/19 Outturn	Variance under/ (over) budget
	£'000	£'000	£'000
Footway Lighting	124	138	(14)
Capital Enhancements	353	254	99
Louth Livestock Market	388	24	364
Car Park Resurfacing	151	0	151
Public Convenience Enhancements	500	532	(32)
Tedder Hall Lighting	128	0	128
Tedder Hall Plant Room Refurbishment	149	160	(11)
Kingfisher Caravan Park Electrical Infrastructure	55	36	19
The Boar's Head Toilet Provision	66	62	4
Disabled Facilities Grant	2,079	1,358	721
Annual General Provision for Flood Works	10	3	7
Rural Development Grants	0	(67)	67

Area of expenditure and Funding	Approved capital programme	2018/19 Outturn	Variance under/ (over) budget
	£'000	£'000	£'000
Steeping River	50	0	50
Pumping Works on Foreshore	163	7	156
Vehicle Purchases	179	171	8
Property Investment Funds	20,000	20,007	(7)
Beach Chalet Development	335	0	335
IT Investment	292	230	62
Community Housing Fund	2,239	83	2,156
Fairfield Enterprise Centre Capital Works	2	0	2
Public Conveniences Door Entry	400	0	400
Leisure Investment	1,090	419	671
Electric Vehicle Charge Points	116	121	(5)
Skegness Foreshore Masterplan	278	36	242
Traveller Site Purchase	100	85	15
TOTAL EXPENDITURE	29,247	23,659	5,588
Funding			
Capital Receipts	110	88	22
Reserves and revenue funding	6,965	2,148	4,817
External grants	2,172	1,416	756
External Borrowing	20,000	20,007	(7)
TOTAL FUNDING	29,247	23,659	5,588

Reserves

The Council holds a number of earmarked reserves to fund future capital and revenue expenditure and to provide some cushion against budgeted future financial pressures. Each reserve has a designated purpose. The estimates for 2018/19 included transfers to earmarked reserves and these was actioned in year.

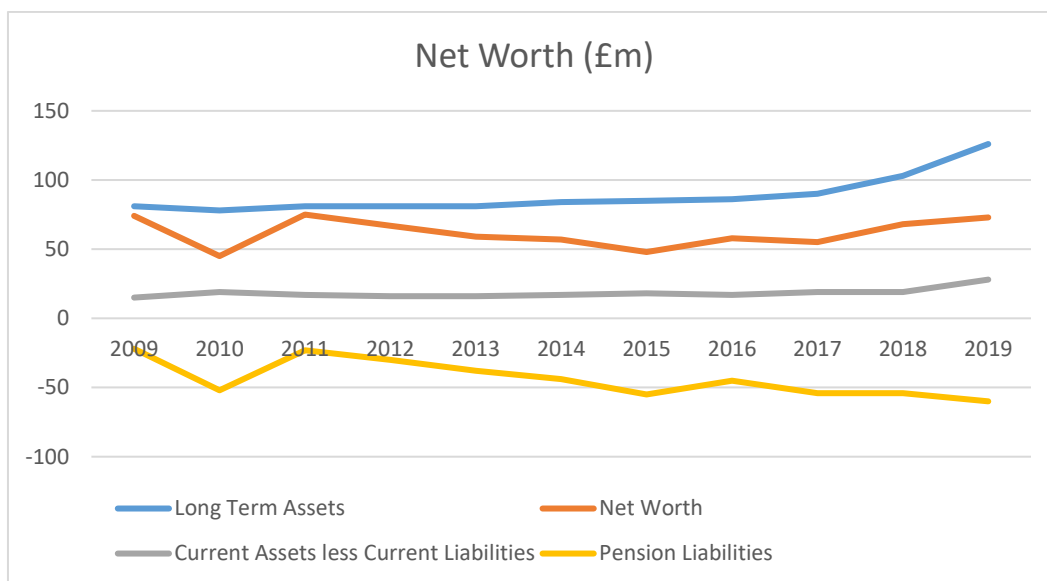
After all transfers to and from reserves the Council's earmarked reserves increased by £4.607m from £20.985m to £25.592m (see note 9, page 44).

Additions to reserves of £7.255m included £1.5m of New Homes Bonus, a contribution from the benefit to the Council of being in a county wide NNDR Pooling arrangement of £2m, a final contribution of £825k surplus to reserves. Reductions in specific reserves of £2.648m were made to fund capital expenditure including purchasing pool cars and other vehicles, and to cover self-insurance payments.

Balance Sheet – the Council's net worth (page 19)

The Balance Sheet shows the value of the amounts held, owed to and owed by the Council at 31 March 2019. The values are arrived at in a number of ways and in accordance with the Council's accounting policies. This exercise is only carried out once each year. As such the position over a longer period is not always apparent. The chart below shows how the higher value components of the Balance Sheet, namely Long Term Assets and Pension Liabilities, have affected the Council's overall net worth since the introduction of International Financial Reporting Standards. The position at 31 March 2019 has increased, due to an upwards revaluation of property assets, and a change to the Council's pension liabilities. The actuarial valuation of the pension liability is influenced by a number of factors (see note 35). Further details affecting the values in specific years are included in the relevant year's accounts.

THE COUNCIL'S NET WORTH (£m)



4. FINANCIAL OVERVIEW OF 2018/19

2018/19 saw the continuation of the Government's austerity measures and further severe cuts in the value of central government's financial support to local authorities. At the start of the year the Council set a budget that was prudent but recognised the potential financial risks that it could face. All services were required to contribute reductions in their service budgets, and growth in budgets was only allowed for unavoidable increases in areas such as contract prices, utility costs or new statutory obligations. Delivery against the budget was closely monitored and ultimately the Council managed to deliver a good financial performance and achieved a £825k surplus position. The main areas that contributed to the surplus outturn position were as follows:

- The Council's position on collection of business rates was better than anticipated due to the award of £636k more government grant which included amounts to compensate for increasing small business threshold rates.
- The Council received £512k more housing benefit subsidy than anticipated compared to the level of expenditure incurred.
- In other areas by contrast the council incurred above budget spend on repairs and maintenance, which included works to the Sutton on Sea colonnade and the Meridian Leisure Centre. There was also reduced income within the planning service in March and neighbourhoods service.

Having set a balanced budget for 2018/19, the Council's performance in delivering income and expenditure compared to budget was measured through the means of regular reports to portfolio holder meetings and quarterly performance reports to the Executive Board and Overview Committees. Mindful of the continued reductions in government funding in future years, the Council has continued to develop service transformation opportunities to help deliver future budget savings and help protect the Council against financial risks going forward.

In comparison to 2017/18 the Council's cost of the provision of services (see page 16, the Comprehensive Income and Expenditure Statement – CIES) has increased from £16.4m to £17.2m (£0.8m increase). This is mainly because there has been a reduction in income during the year.

Further details on the Outturn position are included in the 2018/19 Quarter 4 Governance and Performance report that was presented to Executive Board on 19 June 2019.

Other issues

The Council's net asset position increased by £3.8m from £68.4m to £72.2m. (See the Balance Sheet at page 19). Long term assets have increased in value by £22.5m, predominantly due to a revaluation increase of Property Plant and Equipment, plus acquisition of further Property Funds during the year.

The accounts, whilst largely based on actual income and expenditure, also contain some estimated figures. These estimates are based on assumptions about future positions, and whilst every attempt is made to provide accurate estimates, the future actual position may be more or less materially different from the estimates that are made. There is the risk that there may need to be material adjustments to figures in the balance sheet in the forthcoming financial year. The main areas where these risks arise are:

- Pension Liabilities – actuaries have estimated an increase of £5.9m in the net pension liability.
- Debt Recovery – recovery of the council's most significant debts has been assessed and the estimate for non-repayment increased. Collection rates may however improve or deteriorate from this position.
- Business Rates – since the introduction of the Business Rates Retention Scheme, effective from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses in 2018/19 and earlier years. A provision has been made in the accounts based on the best estimate of the amount that businesses have potentially been overcharged up to the 31 March 2019. This estimate has been calculated using the latest Valuation Office list of outstanding appeals with an assessment being made of the likely impact of those appeals. There is some uncertainty around the accuracy of estimating the likely success of these appeals. The Council's share of the estimated provision as at 31 March 2019 is £1.23m.

5. FUTURE CHALLENGES

Despite delivering services efficiently in 2018/19, there continue to be future challenges and opportunities that the Council will need to embrace if it is to continue to deliver priority services effectively.

Changes to Local Government Funding

The Council is currently part of a Lincolnshire Business Rates pool for the 2019/20 financial year, joining with other Councils in Lincolnshire. The pool is only for one year and allows the Council to spread risk and benefit from a higher proportion of retained growth. The Government announced as part of the 2019/20 funding settlement that business rates will become 75% retained by councils by 2020, with proposals for a new funding system for Local Authorities due to be in place from 2020/21. Three-yearly revaluation periods are set to be introduced from 2020, which will tend to smooth the peaks and troughs occasioned by the existing five-yearly revaluations.

The changing environment of Local Authority finance means that the Council is facing increasing risks and uncertainty in respect of the resources that it will have available to it.

From 2020/21, the Comprehensive Spending Review 2019, Fair Funding Review and a Business Rates baseline reset will all contribute to the challenge faced by the Council. The Government recently consulted on funding allocation approaches as part of the Fair Funding Review. Local government finance specialists, LG Futures, were appointed to represent the District Council Network in supporting district councils with their consultation responses. In order to address the risks associated with funding changes, the Council fed in to in the consultation highlighting local funding issues including the level of drainage board special levies currently funded by the Council.

Reductions in Government funding is one element but there are probably even larger risks attached to the ability to generate and retain business rates. Growth in the business economy, changes in the retail price index, the impact of changing business rate valuations and the number of successful appeals against rateable values will all have an impact on our future budget assumption.

Delivering a sustainable Medium Term Financial Strategy (MTFS)

Given the financial risks above, the Council must plan ahead to ensure that it can continue to deliver priority services over the medium term. The Council has made planned reductions in its expenditure and anticipates increased income from fees and charges in order to deliver a balanced budget for 2020/21.

Over the next five year period of its MTFS the Council anticipates a further £4.7m loss of Government funding, and will continue to review its organizational development plans to establish the potential for delivering greater levels of revenue, particularly from the Council's asset base.

As part of this, the Council has agreed a Capital and Treasury Strategy and has progressed to become a borrowing council. It has increased its capital expenditure in UK property funds by £20m, in order to generate revenue and capital growth to support local services.

As a result, the Council will continue to make contributions to its earmarked reserves, which will provide a buffer against future reduced funding and other financial risks. Given the identified need for ongoing savings the Council must implement its Organisational Development plans as fully as possible. It is anticipated that Magna Vitae Leisure Trust and the Council's service company, Public Sector Partnership Services (formerly Compass Point Business Services), will continue to provide annual savings.

Leaving the European Union (EU)

The decision to leave the EU has raised many questions about what the implications will be for local authorities and what steps need to be taken to ensure that local authorities are prepared for the future. It will take some time to fully understand what the EU exit will mean. There will be political, financial and social threads to the developing picture. Maintaining robust financial management and effective service planning will be essential.

6. SUMMARY

Like many public sector organisations, the Council has many significant financial challenges from:

- The wider economic situation
- Reductions in the value, distribution and general uncertainty of central government funding
- Increased demand for services
- Changes as a result of welfare reforms

The Council has responded to these challenges by being both prudent and proactive. Initiatives to drive forward corporate and service specific budget reductions have been implemented. Reserves have been reviewed and contributed to in order to provide financial resilience and the capacity to deliver future service changes and improvements, and to ensure resources are available for needed future capital investment.

7. EXPLANATION OF ACCOUNTING STATEMENTS

The Statements for the Council have been prepared on the going concern accounting basis, i.e. on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. This assessment has been possible due to the sound financial position of the Council, notably the delivery of a balanced outturn position for 2018/19, the establishment of a balanced budget for 2019/20 with an organisational development programme aimed at delivering ongoing savings. Additionally, the council has sufficient funds and reserves to meet its immediate financial commitments and has robust governance arrangements in place to monitor and control the Council's financial position.

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2019. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local

Authority Accounting in the United Kingdom 2018/19, which in turn is underpinned by International Financial Reporting Standards.

A Glossary of key terms can be found at the end of this publication.

- **Movement in Reserves Statement** is a summary of the changes to the Council's reserves over the course of the year. Reserves are divided into "usable", which can be invested in capital projects or services improvements, and "unusable" which must be set aside for specific purposes
- **Comprehensive Income and Expenditure Statement** - this records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area. The bottom half of the statement deals with corporate transactions and funding. Expenditure represents a combination of:
 - o Services and activities that the Council is required to carry out by law (statutory duties) such as street cleaning, planning, refuse collection; and,
 - o Discretionary expenditure focused on local priorities and needs.
- **Balance Sheet** is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the year end date
- **Cash Flow Statement** shows the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities
- **Accounting Policies** - these explain the basis of the figures presented in the accounts
- **Notes to the Accounts** - these provide further details on some of the figures included in the Accounts.

Supplementary Financial Statements

- **Collection Fund** - this reflects the statutory requirement for the Council to maintain a separate account providing details of receipts of Council Tax and Business Rates, and any associated payments to precepting authorities, and the Government.

8. FURTHER INFORMATION

Further information on the Statement of Accounts is available from Public Sector Partnership Services, who provide all financial services for the Council. This is available as follows:

- In writing - to Financial Services, Tedder Hall, Manby Park, Louth, LN11 SUP.
- By telephone - 01507 601111
- By e-mail - to Customer Services at customerservices@e-lindsey.gov.uk

The accounts are available on our web-site at www.e-lindseygov.uk



Adrian Sibley Section 151 Officer
31 July 2019

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 Chief Financial Officer
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Financial Statements, delegated to the Audit and Governance Committee.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Council's Financial Statements in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom (the Code)*.

In preparing the Financial Statements, the Chief Financial Officer 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
- kept proper accounting records which were up to date and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification by the Chief Financial Officer

I hereby certify that the Financial Statements give a 'true and fair' view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31 March 2019.

Adrian Sibley
Section 151 Officer



31 July 2019

Approval of the Financial Statements

The Audit and Governance Committee is due to approve the audited Financial Statements on 17 July 2019.

Signed on behalf of East Lindsey District Council

Councillor Paul Hibbert-Greaves
Chair of meeting approving the accounts



31 July 2019

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The Comprehensive Income and Expenditure 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. The Council raises taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Gross Expenditure £'000	2017/18 Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	2018/19 Gross Income £'000	Net Expenditure £'000
934	(362)	572	Coastal Economy, Market Towns & Rural Economy	833	(330)	503
3,887	(3,307)	580	Communities	5,488	(5,701)	(213)
47,290	(45,953)	1,337	Finance	44,418	(42,919)	1,499
2,533	(553)	1,980	Leader of the Council	2,287	(167)	2,120
9,193	(4,641)	4,552	Operational Services	9,472	(4,634)	4,838
7,089	(169)	6,920	Partnerships	8,440	(544)	7,896
2,433	(1,990)	443	Planning	2,551	(2,032)	519
73,359	(56,975)	16,384	Cost of Services	73,489	(56,327)	17,162
5,796	(80)	5,716	Other operating expenditure (Note 10)	6,783	(919)	5,864
4,408	(4,697)	(289)	Financing and investment income and expenditure (Note 11)	5,148	(5,647)	(499)
7,440	(28,718)	(21,278)	Taxation and non-specific grant income and expenditure (Note 12)	11,389	(36,806)	(25,417)
91,003	(90,470)	533	(Surplus) or Deficit on the Provision of Services	96,809	(99,699)	(2,890)
		(10,721)	Surplus on revaluation of property, plant and equipment assets			(5,010)
		(401)	Surplus on revaluation of available for sale financial assets			-
		(2,437)	Remeasurements of the net defined benefit liability			3,162
		(13,559)	Other Comprehensive Income and Expenditure			(1,848)
		(13,026)	Total Comprehensive Income and Expenditure			(4,738)

The notes to the accounts on pages 21 – 79 form an integral part of the Financial Statements.

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' (ie those that can be applied to fund expenditure or reduce local taxation) 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 those adjustments.

2018/19	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2018	3,265	20,985	2,094	259	26,603	41,842	68,445
Movement in Reserves during 2018/19							
Total Comprehensive Income and Expenditure	2,890	-	-	-	2,890	1,848	4,738
Adjustments between accounting basis and funding basis under regulations (Note 8)	1,789	-	819	536	3,144	(3,144)	-
Increase/(Decrease) in Year	4,679	-	819	536	6,034	(1,296)	4,738
Transfers to/(from) Earmarked Reserves	(4,607)	4,607	-	-	-	-	-
Balance at 31 March 2019 carried forward	3,337	25,592	2,913	795	32,637	40,546	73,183

The notes to the accounts on pages 21 – 79 form an integral part of the Financial Statements.

2017/18	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2017	2,124	17,997	2,072	90	22,283	33,136	55,419
Movement in Reserves during 2017/18							
Total Comprehensive Income and Expenditure	(533)	-	-	-	(533)	13,559	13,026
Adjustments between accounting basis and funding basis under regulations (Note 8)	4,662	-	22	169	4,853	(4,853)	-
Increase/(Decrease) in Year	4,129	-	22	169	4,320	8,706	13,026
Transfers to/(from) Earmarked Reserves	(2,988)	2,988	-	-	-	-	-
Balance at 31 March 2018 carried forward	3,265	20,985	2,094	259	26,603	41,842	68,445

The notes to the accounts on pages 21 – 79 form an integral part of the Financial Statements.

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 reserves are usable reserves, ie those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves Statements that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2018 £'000		Note	31 March 2019 £'000
82,517	Property, Plant & Equipment	13	85,935
1,201	Heritage Assets	14	1,201
10,587	Investment Property	15	10,484
157	Intangible Assets	16	103
914	Assets Held for Sale	20	588
7,748	Long Term Investments	17	27,329
37	Long Term Debtors		26
103,161	Long Term Assets		125,666
18,124	Short Term Investments	17	23,288
717	Assets Held for Sale	20	552
6,171	Short Term Debtors	18	5,588
4,363	Cash and Cash Equivalents	19	8,333
29,375	Current Assets		37,761
(8,355)	Short Term Creditors	21	(8,003)
-	Short Term Borrowing		(149)
(90)	Cash and Cash Equivalents – Bank Overdraft	19	(568)
(1,563)	Provisions	22	(1,528)
(10,008)	Current Liabilities		(10,248)
-	Long Term Borrowing		(20,000)
(54,083)	Other Long Term Liabilities		(59,996)
(54,083)	Long Term Liabilities		(79,996)
68,445	Net Assets		73,183
26,603	Usable Reserves	23	32,637
41,842	Unusable Reserves	24	40,546
68,445	Total Reserves		73,183

The notes to the accounts on pages 21 – 79 form an integral part of the Financial Statements.

CASH FLOW STATEMENT

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

2017/18 £'000	2017/18 £'000		2018/19 £'000	2018/19 £'000
	(533)	Net surplus/(deficit) on the provision of services		2,890
4,844		Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 25)	8,198	
(1,761)	3,083	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 25)	(2,728)	5,470
	2,550	Net cash flows from Operating Activities		8,360
	(4,499)	Investing Activities (Note 26)		(24,521)
	(1,427)	Financing Activities (Note 27)		19,653
	(3,376)	Net increase/(decrease) in cash and cash equivalents		3,492
	7,649	Cash and cash equivalents at the beginning of the reporting period		4,273
	4,273	Cash and cash equivalents at the end of the reporting period (Note 19)		7,765

The notes to the accounts on pages 21 – 79 form an integral part of the Financial Statements.

NOTES TO THE ACCOUNTS

NOTE 1 – ACCOUNTING POLICIES

1. General Principles

The Financial Statements summarise the Council's transactions for the 2018/19 financial year and its position at the year end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS).

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

2. Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are not carried as inventories on the Balance Sheet due to their immateriality.
- 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, where considered material, 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.

3. 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 no more than three 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.

4. 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.

5. Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. This is referred to as the Minimum Revenue Provision (MRP) and Voluntary Revenue Provision (VRP). The Council's policy on MRP is approved by Council each year as part of the Treasury Management Strategy. Depreciation, revaluation and impairment losses and amortisation are replaced by a 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.

6. Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

7. 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 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 the Local Government Pension Scheme, administered by Lincolnshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme

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

The liabilities of the Lincolnshire County Council 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 of 2.4% (2.6% in 2017/18), based on the indicative rate of return on high quality corporate bonds.

The assets of the Lincolnshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

The change in the net pension 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**, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability 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 at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements comprising

- **the return on plan assets** – excluding amounts included in the net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- **actuarial gains and losses** – changes in the net pension's 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 Lincolnshire County Council 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 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.

8. 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 Financial Statements are 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 Financial Statements are adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Financial Statements are 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 Financial Statements

9. 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 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 the long term 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.

The Council has provided a guarantee in relation to the liabilities of Public Sector Partnership Services (formerly Compass Point Business Services), based on 63% of any outstanding liabilities, in the event that the Company should cease trading. Details can be found in the Joint Operations note (note 39).

The Council has also provided a guarantee in relation to the pension liabilities of Magna Vitae Leisure Trust, in the event that it is unable to meet its pension obligations. Details can be found within the Related Parties note (note 32).

Financial Assets

Financial Assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

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

Financial Assets Measured at Amortised Cost

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

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

Expected Credit Loss Model

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

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

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. However, in November 2018 Ministry of Housing, Communities and Local Government (MHCLG) granted a 5 year statutory override which permits fair value gains and losses on qualifying pooled investment funds to be reversed out in the Movement in Reserves Statement and taken to a Financial Instruments Restatement Reserve.

For Financial Assets measured at Fair Value through Profit and Loss, monthly dividend/distribution income receivable is credited to the Financial and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in other comprehensive expenditure and taken to the financial instruments revaluation reserve, except for impairment gains or losses until the financial asset is derecognised or reclassified.

Where financial assets are measured at FVPL or FVOCI, the fair value measurements are based on the following techniques:

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

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

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

10. 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-ringfenced 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.

11. Heritage Assets

Heritage assets are held to help increase the knowledge, understanding and appreciation of the Council's history and local area. Heritage Assets are recognised and measured, including the treatment of revaluation gains and losses, in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The Council's heritage assets fall into three categories; Statues and Monuments, Civic Regalia and Land Sites of Special Interest, and are accounted for as follows:

Statues and Monuments

- The Clock Tower, Skegness - insurance value, updated by the Council's internal valuer
- Stanhope Memorial Horncastle, Sir John Franklin Memorial Spilsby, Buttercross Monument Spilsby, Clock Tower Old Market Hall Louth, Jolly Fisherman Statue Compass Gardens Skegness – included in the balance sheet at their insurance valuations.
- Dambusters Memorial Woodhall Spa – Historic Cost.

Civic Regalia – included in the balance sheet at their insurance valuations.

Land Sites

- The Pingle Coningsby, Gibraltar Point Nature Reserve, St Mary's Burial Ground Louth, Tower Gardens Skegness, Site of Special Scientific Interest Skegness Foreshore – Recorded at Historic Cost.

The carrying amounts of heritage assets are reviewed when 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 – see item 18 in this summary of significant accounting policies. Depreciation is not charged as the assets are deemed to be held in perpetuity. Should any heritage assets be disposed of, the proceeds are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment.

12. 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.

Intangible assets are measured initially at cost and are carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. Depreciation is calculated on the following basis:

- Computer software and licences – straight line basis

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, the amortisation charge is not permitted to have an impact on the General Fund Balance. It is therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

13. Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

East Lindsey has joint control with South Holland District Council over Public Sector Partnership Services (formerly Compass Point Business Services (East Coast) Ltd), a company established in 2010 to provide 'back office' services to both Councils.

The Council recognises on its Balance Sheet an appropriate share of its rights to the assets and obligations for the liabilities and debits and credits the Comprehensive Income and Expenditure Statement with its share of expenses incurred and income it earns from the activity of the Company.

14. 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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

15. 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 has no material finance lease commitments as at 31 March 2019.

The Council as Lessee - *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 - *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 relevant 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 a 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.

16. Material Items of Income or Expense

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

17. Overheads and Support Services

Following revisions to the Accounting Code, the cost of overheads and support services are not charged to service segments, within the Financial Statements, in accordance with the Council's arrangements for accountability and financial performance. However, they are apportioned to comply with the requirements of various government returns.

18. 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 (e.g. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising;

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Council does not capitalise borrowing costs incurred 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 authority). 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 authority.

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

- infrastructure assets, community assets and assets under construction – depreciated historical cost
- 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 current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

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

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line 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 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 calculated on the following bases:

- Dwellings and other buildings – straight line allocation over the life of the property as estimated by the valuer
- Vehicles, plant and equipment – straight line allocation over the life of the asset, as advised by a suitably qualified officer
- Infrastructure – straight line allocation.

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. Materiality levels have been assessed and a materiality level of £0.5m for major components has been applied.

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 previous losses 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 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 are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal i.e. netted off against the carrying value of the asset at the time of disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax, as the cost of fixed 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.

19. Fair Value Measurement

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

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

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

When measuring the fair value of a non-financial asset, the authority 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 authority 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.

20. Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council has an obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party, 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.

21. 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.

22. 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.

23. Reserves

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

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

24. 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.

25. 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.

26. Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where material amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses, if material, are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

NOTE 2 – ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2019.

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new accounting standard, but one which has not yet been implemented.

It is not anticipated that the above amendments will have a material impact on the information provided in the financial statements, i.e. there is unlikely to be a change to the reported information in the reported net cost of services or the Surplus or Deficit on the Provision of Services.

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 critical judgements made in the Financial Statements are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council has examined its leases, and classified them as either operating leases or finance leases. In some cases the lease transaction is not always conclusive and the Council uses judgements in determining whether the lease is a finance lease that transfers substantially all the risks and rewards incidental to ownership. With effect from 2020/21 financial accounts all lessee operational agreements (apart from those of less than 12 months or those of low value assets) are required to be shown on the Balance Sheet.
- One factor that has had a demonstrable impact in the past five years on the accounts concerns the assumptions surrounding pensions and the likelihood of legislative change and the impact of such change. The sensitivity analysis, shown in note 35 on page 70-74, estimates the likely impact of changes to the assumptions used when reporting the pension liability
- Investments - Investment in banks and other financial institutions are secure and will not suffer impairments.

NOTE 4 – ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the Council's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions Liability

The estimation of the net liability (£59.996m at 31 March 2019) 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 expert advice about the assumptions to be applied.

During 2018/19, the actuaries advised that the net pension liability had increased by £5.913m. This is made up of:

- £3.162m actuarial loss
- £2.751m loss arising from employer contributions of £2.753m being less than the pension obligations of £5.504m.

Debt Impairment

At 31 March 2019, the Council had a balance of sundry debtor and housing benefit overpayments of £4.215m. A review of significant balances suggested that an impairment of doubtful debts of just over 50% (£1.888m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.

If collection rates were to deteriorate, increasing the impairment for doubtful debts to 60% of the total debt would require an additional £0.641m to be set aside as an allowance.

Business Rates

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, local authorities need to account for any reduction in Business Rates income and repayment to ratepayers, in respect of successful appeals against business rates for current and earlier years. A provision has been made in the accounts based on the best estimate of the amount that the Council might need to repay as a result of successful appeals up to 31 March 2019. For appeals already lodged, this estimate has been calculated using the latest Valuation Office Agency list of outstanding appeals with an assessment being made of the likely impact of those appeals, taking into account past national decisions together with any specific / local implications. This assessment has been undertaken by an external provider, and reviewed by officers to reflect local circumstances. A new three-stage appeals process was introduced on 1 April 2017, for appeals against the new 2017 rating list. The authority is yet to receive any appeals lodged against this rating list, therefore a provision has been made based on a combination of trend analysis, appeals actually settled and information from the Council's external provider of national appeals data.

The Council's share of the provision as at 31 March 2019 (60% of £2.051m) is £1.230m.

Fair Value Measurements

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 authority's assets and liabilities.

Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the authority's Chief Valuation Officer). Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 13 and 15 below.

NOTE 5 – EVENTS AFTER THE BALANCE SHEET DATE

The Financial Statements were authorised for issue by the Chief Financial Officer on 31 May 2019. Events taking place after this date are not reflected in the Financial Statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

NOTE 6 – EXPENDITURE AND FUNDING ANALYSIS

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

2017/18				2018/19		
Net Expenditure Chargeable to the General Fund Balance £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund Balance £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
509	63	572	Coastal Economy, Market Towns & Rural Economy	449	54	503
364	216	580	Communities	(28)	(185)	(213)
648	689	1,337	Finance	931	568	1,499
1,848	132	1,980	Leader of the Council	1,997	123	2,120
3,086	1,466	4,552	Operational Services	3,489	1,349	4,838
6,096	824	6,920	Partnerships	6,083	1,813	7,896
245	198	443	Planning	354	165	519
12,796	3,588	16,384	Net Cost of Services	13,275	3,887	17,162
(16,925)	1,074	(15,851)	Other Income and Expenditure	(17,954)	(2,098)	(20,052)
(4,129)	4,662	533	(Surplus) or Deficit	(4,679)	1,789	(2,890)
2,124			Opening General Fund Balance (Surplus) or Deficit on the General Fund Balance in Year (after transfers to/from earmarked reserves)	3,265		
1,141				72		
3,265			Closing General Fund Balance	3,337		

NOTE 6A – NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2018/19				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Amounts	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Coastal Economy, Market Towns & Rural Economy	16	38	-	54
Communities	(377)	192	-	(185)
Finance	626	(37)	(21)	568
Leader of the Council	-	123	-	123
Operational Services	963	386	-	1,349
Partnerships	1,813	-	-	1,813
Planning	-	165	-	165
Net Cost of Services	3,041	867	(21)	3,887
Other Income and Expenditure from the Funding Analysis	(2,157)	1,884	(1,825)	(2,098)
Difference between General Fund (Surplus)/Deficit and Comprehensive Income and Expenditure Statement (Surplus)/Deficit	884	2,751	(1,846)	1,789

2017/18				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Amounts	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Coastal Economy, Market Towns & Rural Economy	14	49	-	63
Communities	73	143	-	216
Finance	757	(50)	(18)	689
Leader of the Council	-	132	-	132
Operational Services	1,018	448	-	1,466
Partnerships	824	-	-	824
Planning	-	198	-	198
Net Cost of Services	2,686	920	(18)	3,588
Other Income and Expenditure from the Funding Analysis	(2,389)	1,838	1,625	1,074
Difference between General Fund (Surplus)/Deficit and Comprehensive Income and Expenditure Statement (Surplus)/Deficit	297	2,758	1,607	4,662

Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the service lines, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income are reflected as follows:

- **For services** this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

Other Differences

Other differences between amounts debited or credited to the Comprehensive Income and Expenditure Statement and amounts payable or receivable to be recognised under statute are as follows:

- **For services** – the other differences column recognises adjustments to the General Fund for accumulated absences.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and business rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

NOTE 6B – SEGMENTAL INCOME

Trading Income received on a segmental basis is analysed as follows:

Service Segment	Income Area	2018/19 Income from Services £'000	2017/18 Income from Services £'000
Coastal Economy, Market Towns & Rural Economy	Markets	98	102
Finance	Kingfisher Caravan Park	2,076	2,083
Finance	Licensing	273	283
Finance	Commercial Rents	1,634	1,621
Operational Services	Green Waste	1,171	1,168
Operational Services	Car Parking	3,204	3,157
Planning	Planning	1,394	1,392
Planning	Land Charges	176	121
Planning	Building Control	245	397
Total Income analysed on a segmental basis		10,271	10,324

NOTE 7 – EXPENDITURE AND INCOME ANALYSED BY NATURE

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

<u>2018/19</u>	ELDC Income and Expenditure £'000	Amounts paid to/received from CPBS £'000	Add CPBS subjective analysis £'000	Total Income and Expenditure £'000
<u>Expenditure</u>				
Employee benefits expenses	12,700	-	4,714	17,414
Other service expenses	57,822	(5,468)	871	53,225
Depreciation, amortisation, impairment	3,428	-	55	3,483
Interest payments	155	-	-	155
Precepts and levies	5,865	-	-	5,865
Payments to Housing Capital Receipts Pool	1	-	-	1
Changes in fair value of investment property	173	-	-	173
Business Rates tariff and levy	11,389	-	-	11,389
Loss on disposal of non-current assets	917	-	-	917
Change in fair value of financial assets at fair value through profit and loss	546	-	-	546
Pensions interest cost	2,991	-	650	3,641
Total Expenditure	95,987	(5,468)	6,290	96,809
<u>Income</u>				
Income from council tax and non-domestic rates	(31,595)	-	-	(31,595)
Government grants and contributions	(44,856)	-	-	(44,856)
Capital grants and contributions	(132)	-	-	(132)
Fees, charges and other service income	(19,004)	300	(48)	(18,752)
Interest and investment income	(1,053)	-	(5)	(1,058)
Gain on disposal of non-current assets	(919)	-	-	(919)
Change in fair value of financial assets at fair value through profit and loss	(120)	-	-	(120)
Decrease in impairment allowance for bad debts	(19)	-	-	(19)
Changes in fair value of investment property	(34)	-	-	(34)
Expected return on pension assets	(1,697)	-	(517)	(2,214)
Total Income	(99,430)	300	(570)	(99,700)
(Surplus) or Deficit on the Provision of Services	(3,442)	(5,168)	5,720	(2,890)

2017/18	ELDC Income and Expenditure £'000	Amounts paid to/received from CPBS £'000	Add CPBS subjective analysis £'000	Total Income and Expenditure £'000
<u>Expenditure</u>				
Employee benefits expenses	11,854	-	4,312	16,166
Other service expenses	59,654	(5,178)	930	55,406
Depreciation, amortisation, impairment	2,444	-	151	2,595
Interest payments	6	-	-	6
Precepts and levies	5,607	-	-	5,607
Payments to Housing Capital Receipts Pool	2	-	-	2
Changes in fair value of investment property	112	-	-	112
Business Rates tariff and levy	7,440	-	-	7,440
Loss on disposal of non-current assets	187	-	-	187
Pensions interest cost and expected return on pensions	2,860	-	622	3,482
Total Expenditure	90,166	(5,178)	6,015	91,003
<u>Income</u>				
Income from council tax and non-domestic rates	(21,941)	-	-	(21,941)
Government grants and contributions	(49,647)	-	-	(49,647)
Fees, charges and other service income	(16,534)	295	(71)	(16,310)
Interest and investment income	(379)	-	(1)	(380)
Gain on disposal of non-current assets	(80)	-	-	(80)
Changes in fair value of investment property	-	-	-	-
Expected return on pension assets	(1,621)	-	(491)	(2,112)
Total Income	(90,202)	295	(563)	(90,470)
(Surplus) or Deficit on the Provision of Services	(36)	(4,883)	5,452	533

NOTE 8 – ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Capital Grants Unapplied

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2018/19	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
	£'000	£'000	£'000
Adjustments to Revenue Resources			
<i>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:</i>			
• Pension costs	2,751	-	-
• Statutory over-ride for unrealised fair value movements in pooled funds	426	-	-
• Council Tax and Non-Domestic Rates	(2,252)	-	-
• Holiday pay	(21)	-	-
• Movements in the market value of Investment Properties	139	-	-
• Capital grants and contributions applied to capital financing	(1,416)	-	-
• Capital grants and contributions not applied to capital financing in year	(536)	-	536
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	5,767	-	-
Total Adjustments to Revenue Resources	4,858	-	536
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(915)	915	-
Administrative costs of non-current asset disposals	7	(7)	-
Payments to the government housing receipts pool	1	(1)	-
Statutory provision for the repayment of debt	-	-	-
Capital expenditure financed from revenue balances	(2,163)	(88)	-
Total Adjustments between Revenue and Capital Resources	(3,070)	819	-
Adjustments to Capital Resources			
Use of Capital Receipts Reserve to finance capital expenditure	-	-	-
Use of capital grants to finance capital expenditure	-	-	-
Cash payments in relation to deferred capital receipts	-	-	-
Total Adjustments to Capital Resources	-	-	-
Total Adjustments	1,789	819	536

2017/18	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000
Adjustments to Revenue Resources			
<i>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:</i>			
• Pension costs	2,758	-	-
• Council Tax and Non-Domestic Rates	1,625	-	-
• Holiday pay	(18)	-	-
• Movements in the market value of Investment Properties	112	-	-
• Capital grants and contributions applied to capital financing	(1,465)	-	-
• Capital grants and contributions not applied to capital financing in year	(219)	-	219
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	4,589	-	-
Total Adjustments to Revenue Resources	7,382	-	219
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(80)	80	-
Administrative costs of non-current asset disposals	3	(3)	-
Payments to the government housing receipts pool	2	(2)	-
Statutory provision for the repayment of debt	(18)	-	-
Capital expenditure financed from revenue balances	(2,627)	(54)	-
Total Adjustments between Revenue and Capital Resources	(2,720)	21	-
Adjustments to Capital Resources			
Use of Capital Receipts Reserve to finance capital expenditure	-	-	-
Use of capital grants to finance capital expenditure	-	-	-
Cash payments in relation to deferred capital receipts	-	-	(50)
Total Adjustments to Capital Resources	-	1	-
Total Adjustments	4,662	22	169

NOTE 9 – TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund Balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2018/19.

	Balance at 1 April 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance at 31 March 2018 £'000	Transfers Out 2018/19 £'000	Transfers In 2018/19 £'000	Balance at 31 March 2019 £'000
Capital Reserve	4,710	(1,073)	1,941	5,578	(1,315)	2,491	6,754
Housing Reserve	2,264	(12)	145	2,397	(96)	68	2,369
Technology Reserve	1,699	(130)	88	1,657	(260)	80	1,477
Insurance Reserve	500	(60)	100	540	(31)	100	609
Service Transformation Reserve	1,000	(18)	43	1,025	(343)	70	752
Carbon Reduction Reserve	90	-	16	106	-	-	106
Legal and Appeals Reserve	500	(18)	-	482	(31)	-	451
Repair and Renewals Reserve	2,813	(1,051)	1,238	3,000	(347)	770	3,423
Economic Growth Reserve	2,689	(385)	817	3,121	(152)	2,472	5,441
Business Rates Volatility Reserve	1,732	-	1,347	3,079	(73)	1,204	4,210
Total Earmarked Reserves	17,997	(2,747)	5,735	20,985	(2,648)	7,255	25,592

NOTE 10 – OTHER OPERATING EXPENDITURE

2017/18 £'000		2018/19 £'000
2,238	Parish Council Precepts	2,419
3,369	Internal Drainage Board Levies	3,446
2	Payments to the Government Housing Capital Receipts Pool	1
107	(Gains)/Losses on the disposal of non-current assets	(2)
5,716	Total	5,864

NOTE 11 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2017/18 £'000		2018/19 £'000
6	Interest payable and similar charges	155
1,370	Net interest on the net defined benefit liability	1,427
	Discount, impairment and exchange rate movements on Icelandic	
(13)	Investments	(3)
(367)	Interest receivable and similar income	(1,055)
	Income and Expenditure in relation to investment properties and	
(1,348)	changes in their fair value	(1,430)
63	Movement in impairment allowance for bad debts	(19)
-	Movement in fair value of financial assets through profit and loss	426
(289)	Total	(499)

NOTE 12 – TAXATION AND NON SPECIFIC GRANT INCOME AND EXPENDITURE

2017/18 £'000		2018/19 £'000
(7,956)	Council Tax income	(8,472)
(6,545)	Retained Business Rates income and expenditure	(11,733)
(2,213)	Revenue Support Grant	-
(4,564)	Non-ringfenced government grants	(5,079)
-	Capital grants and contributions	(133)
(21,278)	Total	(25,417)

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT - Movements on Balances

2018/19	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
<u>Movements on balances</u>						
Cost or Valuation						
At 1 April 2018	77,500	6,510	656	1,592	24	86,282
Additions	1,459	564	138	22	-	2,183
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	2,674	-	-	9	-	2,683
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(454)	-	-	(22)	-	(476)
Derecognition – disposals	(111)	(113)	-	(5)	-	(229)
Assets reclassified (to)/from Held for Sale	(90)	-	-	(4)	-	(94)
Other movements in Cost or Valuation	(20)	-	-	-	20	-
At 31 March 2019	80,958	6,961	794	1,592	44	90,349
Accumulated Depreciation and Impairment						
At 1 April 2018	-	(3,743)	(22)	-	-	(3,765)
Depreciation charge	(2,328)	(705)	(34)	-	-	(3,067)
Depreciation written out to the Revaluation Reserve	2,210	-	-	-	-	2,210
Depreciation written out to the Surplus/Deficit on the Provision of Services	118	-	-	-	-	118
Impairment (Losses) Reversals recognised in Revaluation Reserve	-	-	-	-	-	-
Derecognition - disposals	-	90	-	-	-	90
Other movements in Depreciation and Impairment	-	-	-	-	-	-
At 31 March 2019	-	(4,358)	(56)	-	-	(4,414)
Net Book Value						
At 31 March 2019	80,958	2,603	738	1,592	44	85,935
At 31 March 2018	77,500	2,767	634	1,592	24	82,517

2017/18	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
<u>Movements on balances</u>						
Cost or Valuation						
At 1 April 2017	68,258	5,509	134	1,556	24	75,481
Additions	499	1,184	522	36	-	2,241
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	9,183	-	-	-	-	9,183
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(300)	-	-	-	-	(300)
Derecognition – disposals	-	(183)	-	-	(140)	(323)
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-
Other movements in Cost or Valuation	(140)	-	-	-	140	-
At 31 March 2018	77,500	6,510	656	1,592	24	86,282
Accumulated Depreciation and Impairment						
At 1 April 2017	-	(3,286)	(15)	-	-	(3,301)
Depreciation charge	(1,646)	(598)	(7)	-	-	(2,251)
Depreciation written out to the Revaluation Reserve	1,502	2	-	-	-	1,504
Depreciation written out to the Surplus/Deficit on the Provision of Services	116	-	-	-	-	116
Derecognition – disposals	28	-	-	-	-	28
Other movements in Depreciation and Impairment	-	139	-	-	-	139
At 31 March 2018	-	(3,743)	(22)	-	-	(3,765)
Net Book Value						
At 31 March 2018	77,500	2,767	634	1,592	24	82,517
At 31 March 2017	68,258	2,223	119	1,556	24	72,180

Depreciation

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

- Property, Land and Buildings – 2-42 years
- Vehicles, Plant, Furniture & Equipment – 1-49 years

Capital Commitments

There were no material capital commitments in existence at 31 March 2019.

Effects of Changes in Estimates

In 2018/19, no material changes were made to the Council's accounting estimates for Property, Plant and Equipment.

Revaluations

The Council's revaluations were undertaken by Terry Garnett MRICS, James Strawhorn MRICS and James Duck MRICS from an external company - NPS Humber Ltd, and the Council's qualified in-house valuers - Edward Cox MRICS and Gary Sargeant MRICS.

The Council ensures that all Property, Plant and Equipment required to be measured at current value is revalued each year. 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.

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	-	6,961	794	1,592	-	9,347
Valued at fair value (GBV) as at:						
31 March 2019	80,958	-	-	-	44	81,002
Total Cost or Valuation at 31 March 2019	80,958	6,961	794	1,592	44	90,349

The Council does not have material surplus assets. In 2018/19 assets were transferred to surplus before being disposed as at 31 March 2019. The net movement of £20,000 relates to beach chalets, Seaview Walk, Skegness declared surplus to requirements in year.

NOTE 14 – HERITAGE ASSETS

Reconciliation of the carrying value of Heritage Assets held by the Council:

2017/18 £'000		Statues and Monuments	Civic Regalia	Land Sites of Special Interest	Total
		2018/19 £'000	2018/19 £'000	2018/19 £'000	2018/19 £'000
1,201	Cost or valuation				
	1 April	739	25	437	1,201
-	Revaluations in year	-	-	-	-
1,201	31 March	739	25	437	1,201

Heritage assets, held by the Council fall into three categories; Statues and Monuments, Civic Regalia and Land Sites of Special Interest. All the assets have been in the Council's ownership for a number of years and are held for their intrinsic worth as opposed to financial gain. As such they are unlikely to be sold. According to the Code there is no prescribed minimum period between valuations.

Movements in financial year 2018/19

There were no movements in year.

Heritage assets recognised on the Council's Balance Sheet

Statutes and Monuments:

- The Clock Tower, Skegness – Historic Cost £431,000.
- Stanhope Memorial Horncastle, Sir John Franklin Memorial Spilsby, Buttercross Monument Spilsby, Clock Tower Old Market Hall Louth, Jolly Fisherman Statue Compass Gardens Skegness – included in the balance sheet at their insurance valuations. The valuations as at 31 March 2015 were provided by Bonhams (external specialist valuer).
- Dambusters Memorial Woodhall Spa – Historic Cost.
- Civic Regalia – included in the Balance Sheet at their insurance valuations. The valuations as at 31 March 2015 were provided by Bonhams (external specialist valuer).

Land Sites:

- Gibraltar Point Nature Reserve, St Mary's Burial Ground Louth, Tower Gardens Skegness, Site of Special Scientific Interest Skegness Foreshore – recorded at Historic Cost.

The Council does not have any heritage assets other than those reported on the Balance Sheet.

NOTE 15 – INVESTMENT PROPERTY

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:

2017/18 £'000		2018/19 £'000
(2,206)	Rental Income from investment property	(2,203)
746	Direct operating expenses arising from investment property	634
112	Net (gains)/losses from fair value adjustments	139
(1,348)	Net gain	(1,430)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

2017/18 £'000		2018/19 £'000
10,642	Balance at start of the year	10,587
57	Additions – Subsequent Expenditure	36
(112)	Net gains/(losses) from fair value adjustments	(139)
10,587	Balance at end of the year	10,484

Fair Value Hierarchy

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2019 and 2018 are as follows:

	Level 2 2018/19 £'000	Level 3 2018/19 £'000	Fair Value 2018/19 £'000
Office Units	-	410	410
Commercial Retail Units	-	557	557
Commercial Storage Units	-	17	17
Commercial Unit Caravan Park	9,500	-	9,500
	9,500	984	10,484

2017/18 Comparative Figures

	Level 2 2017/18 £'000	Level 3 2017/18 £'000	Fair Value 2016/17 £'000
Office Units	-	430	430
Commercial Retail Units	-	640	640
Commercial Storage Units	-	17	17
Commercial Unit Caravan Park	9,500	-	9,500
	9,500	1,087	10,587

Transfers between Levels of Fair Value Hierarchy

During the year there has been no transfers between Level 2 and Level 3.

Valuation Techniques Used to Determine Level 2 and 3 Fair Values for Investment Properties

Significant Observable Inputs – Level 2

The fair value of investment properties has been measured using two main approaches - the investment method and the comparable method.

The comparable method of valuation is relied upon in the case of plots of similar size and location. It is relatively simple to achieve a direct comparison with one plot against another which has been sold recently.

Using the investment methodology, the valuers have relied upon data ascertained from current evidence of passing rents on comparable properties. Yields have been taken from the sale of comparable investments having regard to the type of property, covenant strength and lease terms. Valuation inputs for rental and yield which are directly applicable are said to be a valuation input 2 because they are directly comparable with limited adjustment.

Significant Unobservable Inputs – Level 3

Where the comparable data needs to be adjusted by the valuer in order to reflect the specific circumstances of the valuation subject, the valuer uses his judgement and experience. This includes assumptions regarding rent level and prospective rental growth, occupancy levels, floor area and state of repair.

These adjustments are the valuer's opinion and therefore subjective and considered to be Level 3 in the fair value hierarchy. The measurement technique uses significant unobservable inputs to determine the fair value measurements.

Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement of the assets.

Highest and best use of investment properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is deemed to be their current value.

Valuation Techniques

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

Reconciliation of Fair Value Measurements (Using Significant Unobservable Inputs) categorised within Level 3 of the Fair Value Hierarchy

	31 March 2019 £'000	31 March 2018 £'000
Opening Balance	1,087	1,142
Transfers into Level 3	-	-
Total gains (or losses) for the period included in Surplus or deficit on the Provision of Services resulting from changes in the fair value	(103)	(55)
Closing Balance	984	1,087

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

Valuation Process for Investment Properties

The fair value of the Council's investment property is measured at each reporting date. All valuations are carried out internally or externally, 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 regarding all valuation matters.

NOTE 16 – INTANGIBLE ASSETS

The Council accounts for its software as intangible assets. Intangible assets include purchased licenses.

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 carrying amount of intangible assets is amortised on a straight-line basis over 7 years. The amortisation of £75,000 was charged to an overhead account and then absorbed across service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

2017/18 £'000		2018/19 £'000
1,363	Balance at start of year:	1,451
(1,138)	- Gross carrying amounts	(1,294)
	- Accumulated amortisation	
225	Net carrying amount at start of year	157
	Additions:	
88	- Purchases	21
-	Derecognition - Others	-
(156)	Amortisation for the period	(75)
-	Other Changes	-
157	Net carrying amount at end of year	103
	Comprising:	
1,451	- Gross carrying amounts	1,472
(1,294)	- Accumulated amortisation	(1,369)
157		103

NOTE 17 – FINANCIAL INSTRUMENTS

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

Financial Assets	Non-Current				Current				Total	
	Long-term Investments		Long-term Debtors		Short-term Investments		Short-term Debtors		31 March 2018	31 March 2019
	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through profit and loss	7,748	27,329	-	-	45	214	-	-	7,793	27,543
Amortised cost										
Investments	-	-	-	-	18,079	23,074	-	-	18,079	23,074
Cash and cash equivalents	-	-	-	-	4,273	7,765	-	-	4,273	7,765
Mortgages and car loans	-	-	18	18	-	-	14	13	38	31
Loans to businesses	-	-	17	8	-	-	14	9	25	17
Trade debtors	-	-	-	-	-	-	688	1,063	690	1,072
Total financial assets	7,748	27,329	35	26	22,397	31,053	716	1,085	30,898	59,502

Financial Liabilities	Non-Current				Current				Total	
	Long-term Borrowings		Long-term Creditors		Short-term Borrowings		Short-term Creditors		31 March 2018	31 March 2019
	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised cost										
External borrowing	-	(20,000)	-	-	-	(149)	-	-	-	(20,149)
Trade creditors	-	-	-	-	-	-	(1,450)	(1,626)	(1,450)	(1,626)
Total financial liabilities	-	(20,000)	-	-	-	(149)	(1,450)	(1,626)	(1,450)	(21,775)

Income, expense, gains and losses

	2017/18 Surplus or Deficit on the Provision of Services £'000	2018/19 Surplus or Deficit on the Provision of Services £'000
Net gains/losses on:		
Financial assets measured at fair value through profit and loss	(401)	426
Derecognition of financial assets	(13)	(3)
Total net gains/losses	(414)	423
Interest Revenue		
Financial assets measured at amortised cost	(153)	(227)
Financial assets measured at fair value through profit and loss	(214)	(828)
Total interest revenue	(367)	(1,055)
Interest expense	3	155
Fee expense		
Property fund management fees	-	126
Brokers fees	3	15
Total fee expense	3	141

Reclassification and remeasurement of financial assets at 1 April 2018

The Council has adopted IFRS9 Financial Instruments as required by the Code of Practice on Local Authority Accounting.

All financial instruments previously classified as Loans and Receivables are now reclassified as Amortised Cost with no change to the carrying amount.

Property fund investments of £7.748m previously categorised as Available for Sale are now classified as Fair Value Through Profit and Loss. Details in relation to these equity holdings can be found below.

Fair Value of Financial Assets

Some of the Council's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

The Council held £27.329m in property funds at 31 March 2019 (£7.748m at 31 March 2018). These represent level 1 inputs in the fair value hierarchy. Fair Value has been assessed using the published Net Asset Value of the funds and the Balance Sheet reflects these valuations.

Financial assets measured at fair value				
Recurring fair value measurements	Input level in the fair value hierarchy	Valuation technique used to measure fair value	31 March 2018 £'000	31 March 2019 £'000
Financial instruments classified as fair value through profit and loss				
Hermes Property Unit Trust Fund (Revenue)	Level 1	Unadjusted quoted prices in active markets for identical units	3,450	3,570
Schroder UK Real Estate Property Fund	Level 1	Unadjusted quoted prices in active markets for identical units	4,298	5,217
Threadneedle Property Unit Trust	Level 1	Unadjusted quoted prices in active markets for identical units	-	4,613
M & G UK Property Fund	Level 1	Unadjusted quoted prices in active markets for identical units	-	4,603
BlackRock UK Property Fund	Level 1	Unadjusted quoted prices in active markets for identical units	-	4,810
AEW UK Core Property Fund	Level 1	Unadjusted quoted prices in active markets for identical units	-	4,516
TOTAL			7,748	27,329

The combined purchase price of property fund investments was £27.303m so the increase in value as at 31 March 2019 was £26,000.

The net increase in value of the revenue fund totalling £266k has been credited to the Pooled Investment Funds Adjustment Account in accordance with the Statutory override for qualifying pooled investments (SI2018/1207).

The net decrease in value of £241,000 has been charged to the Capital Adjustment Account in line with the Statutory override.

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between input levels 1 and 2 during the year.

Changes in the Valuation Technique

There has been no change in the valuation technique used during the year for the financial instruments.

Fair Values of Financial Assets and Financial Liabilities that Are Not Measured at Fair Value (but which Fair Value Disclosures Are Required)

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

- For loans from the PWLB payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the premature repayment highlighting the impact of the alternative valuation;
- No early repayment or impairment is recognised;

- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

LIABILITIES	31 March 2018		31 March 2019	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Borrowing	-	-	(20,149)	(21,557)

For long term borrowing, the fair value is higher than the carrying amount because the authority's portfolio of loans includes fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £21.557m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty Interest rates. A supplementary measure of the fair value as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £20m would be valued at £21.557m. But, if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £28.567m.

ASSETS	31 March 2018		31 March 2019	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Short term investments	18,079	18,079	23,288	23,288

As the investments referred to in the above table are short term the fair value is assumed to be the carrying value.

NOTE 18 – DEBTORS

31 March 2018 Net £'000		31 March 2019 Gross £'000	31 March 2019 Impairment £'000	31 March 2019 Net £'000
1,944	Central government bodies	926	-	926
304	Other local authorities	398	-	398
-	NHS bodies	-	-	-
3,923	Other entities and individuals	7,766	(3,502)	4,264
6,171	Total	9,090	(3,502)	5,588

NOTE 19 – CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2018 £'000		31 March 2019 £'000	
1	Cash held by the Council	1	
288	Bank current accounts	-	
4,074	Deposits with Banks on Instant Access	8,332	
4,363	Cash and Cash Equivalents categorised as Current Assets	8,333	
(90)	Bank current accounts	(568)	
(90)	Cash and Cash Equivalents categorised as Current Liabilities	(568)	
4,273	Total Cash and Cash Equivalents	7,765	

NOTE 20 – ASSETS HELD FOR SALE

The following tables summarises the movements in the fair value of assets held for sale over the year.

	Current assets		Non-Current assets	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Balance outstanding at start of year	717	650	914	979
Assets newly classified as held for sale:				
Property, Plant and Equipment		-	-	-
Revaluation gains and losses	-	-	132	2
Additions	50			
Assets sold	(767)	-	-	-
Transfers between current and non-current	552	67	(458)	(67)
Balance outstanding at year end	552	717	588	914

NOTE 21 – CREDITORS

2017/18 £'000		2018/19 £'000	
(1,557)	Central government bodies	(657)	
(1,703)	Other local authorities	(2,660)	
(5,095)	Other entities and individuals	(4,686)	
(8,355)	Total	(8,003)	

NOTE 22 – PROVISIONS

	Business Rate Appeals £'000	Compulsory Purchase Orders £'000
Balance at 1 April 2018	(1,563)	-
Adjustment to opening balance*	(781)	-
Additional provisions made in 2018/19	(824)	(297)
Amounts used in 2018/19	226	-
Unused amounts reversed in 2018/19	1,711	-
Balance at 31 March 2019	(1,231)	(297)

The Business Rate Appeal provision represents East Lindsey's share (60% of £2,051m) of the total provision for appeals against the rateable values set by the Valuation Office Agency (VOA) not settled as at 31 March 2019. The total provision has been recognised in the Collection Fund Statement (page 80).

*An adjustment to the opening balance has been made to reflect East Lindsey's share of 60% under the Lincolnshire Business Rates Pilot for 2018/19. At 31 March 2018, East Lindsey accounted for 40% of the closing provision under the previous arrangement.

The compulsory purchase order provision relates to monies held by the Council from asset sales awaiting identification of the property owners by legal requirement.

NOTE 23 – USABLE RESERVES

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

NOTE 24 – UNUSABLE RESERVES

31 March 2018 £'000		31 March 2019 £'000
40,911	Revaluation Reserve	44,062
55,167	Capital Adjustment Account	54,547
(54,083)	Pensions Reserve	(59,996)
452	Available for Sale Financial Instruments Reserve	-
-	Pooled Investment Funds Adjustment Account	266
-	Deferred Capital Receipts Reserve	-
(538)	Collection Fund Adjustment Account	1,714
(67)	Accumulated Absences Account	(46)
41,842	Total Unusable Reserves	40,546

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

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

2017/18 £'000	2017/18 £'000		2018/19 £'000	2018/19 £'000
	31,112	Balance at 1 April	40,911	
11,416		Upward revaluation of assets	7,685	
(695)		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,675)	
	10,721	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		5,010
(852)		Difference between fair value depreciation and historical cost depreciation	(1,385)	
(70)		Accumulated gains on assets sold or scrapped	(474)	
	(922)	Amount written off to the Capital Adjustment Account		(1,859)
	40,911	Balance at 31 March		44,062

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties. It 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.

Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2017/18 £'000	2017/18 £'000		2018/19 £'000	2018/19 £'000
	54,732	Balance at 1 April		55,167
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
(2,251)		Charges for depreciation and impairment of non-current assets	(3,067)	
(188)		Revaluation (losses)/gains on Property, Plant and Equipment	(341)	
(156)		Amortisation of intangible assets	(75)	
(1,810)		Revenue expenditure funded from capital under statute	(1,377)	
(184)		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	(906)	
	(4,589)			(5,766)
	70	Adjusting amounts written out of the Revaluation Reserve		474
	852	Net written out amount of the cost of non-current assets consumed in the year		1,385
		Capital financing applied in the year:		
54		Use of the Capital Receipts Reserve to finance new capital expenditure	88	
1,465		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,416	
50		Application of grants to capital financing from the Capital Grants Unapplied Account	-	
18		Statutory provision for the financing of capital investment charged against the General Fund balance.	-	
2,627		Capital expenditure charged against the General Fund balance	2,163	
	4,214			3,667
		Statutory override for unrealised fair value movements in capital property funds		(241)
	(112)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(139)
	55,167	Balance at 31 March		54,547

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contained the gains made by the Council arising from increases in the value of its Property Fund Investments to 31 March 2018.

2017/18 £'000		2018/19 £'000
50	Balance at 1 April	452
402	Upward revaluation of investments	-
-	Transfer of balance to the Pooled Investment Funds Adjustment Account following changes in accounting standards	(146)
-	Transfer of balance to the Capital Adjustment Account following changes in accounting standards	(306)
452	Balance at 31 March	-

Pooled Investment Funds Adjustment Account

The Pooled Investment Funds Adjustment Account contains the gains made by the Council arising from increases in the value of its pooled investment funds which are classified as revenue. These gains/losses will now be posted to the General Fund, however statutory override SI 2018/1207 has provided a five year exemption allowing Councils to post unrealised fair value gains/losses to the Pooled Investment Funds Adjustment Account so they do not affect the General Fund.

2017/18 £'000		2018/19 £'000
-	Balance at 1 April	-
-	Transfer of pre 2018/19 Pooled Investment Fund gains previously held in the Available for Sale Financial Instruments Reserve	146
-	Upward revaluation of Pooled Investment Funds	120
-	Balance at 31 March	266

Pensions Reserve

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

2017/18 £'000		2018/19 £'000
(53,762)	Balance at 1 April	(54,083)
2,437	Remeasurements of the net defined benefit liability	(3,162)
(5,202)	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	(5,504)
2,444	Employer's pensions contributions and direct payments to pensioners payable in the year	2,753
(54,083)	Balance at 31 March	(59,996)

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 eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2017/18 £'000		2018/19 £'000
2	Balance at 1 April	-
(2)	Transfer to the Capital Receipts Reserve upon receipt of cash	-
-	Balance at 31 March	-

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 payers and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2017/18 £'000		2018/19 £'000
1,087	Balance at 1 April	(538)
(1,625)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	2,252
(538)	Balance at 31 March	1,714

Accumulated Absences Account

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

2017/18 £'000	2017/18 £'000		2018/19 £'000	2018/19 £'000
	(85)	Balance at 1 April		(67)
85		Settlement or cancellation of accrual made at the end of the preceding year	67	
(67)		Amounts accrued at the end of the current year	(46)	
	18	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		21
	(67)	Balance at 31 March		(46)

NOTE 25 – CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items

2017/18 £'000		2018/19 £'000
320	Interest received	891
(6)	Interest paid	(6)

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

2017/18 £'000		2018/19 £'000
2,251	Depreciation	3,067
188	Impairment and downward revaluations	341
156	Amortisation of intangible assets	75
-	(Increase)/decrease in interest debtors	
(455)	(Decrease)/increase in creditors	375
(753)	(Increase)/decrease in debtors	154
2,758	Movement in Pension Liability	2,751
184	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	906
112	Movement in Investment Property Values	139
403	Contribution to Provisions	(35)
-	Adjustment for movement in fair value of investments classified as Fair Value through Profit and Loss	426
-	Other non-cash items	(1)
4,844		8,198
	The surplus or deficit on the provision of services has been adjusted for the following items that are investing or financing activities:	
(1,684)	Capital Grants credited to surplus or deficit on the provision of services	(1,820)
(77)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(908)
(1,761)		(2,728)

NOTE 26 – CASH FLOW STATEMENT – INVESTING ACTIVITIES

2017/18 £'000		2018/19 £'000
(2,475)	Purchase of property, plant and equipment, investment property, plant and intangible assets	(2,253)
(42,501)	Purchase of short term investments	(62,057)
(17)	Other payments for investing activities	(19)
79	Proceeds from the sale of property, plant and equipment, investment property	908
38,700	Proceeds from short term investments	37,050
1,715	Other receipts from investing activities	1,850
(4,499)	Net cash flows from investing activities	(24,521)

NOTE 27 – CASH FLOW STATEMENT – FINANCING ACTIVITIES

2017/18 £'000		2018/19 £'000
(18)	Cash payment for the reduction of outstanding liabilities relating to finance leases	-
-	Cash receipts Short and long Term Borrowing	20,000
(1,409)	Council tax and NNDR adjustments	(347)
(1,427)	Net cash flows from financing activities	19,653

NOTE 28 – MEMBERS' ALLOWANCES

The Council paid the following amounts to members of the Council during the year.

	2018/19 £'000	2017/18 £'000
Basic Allowance	254	246
Special Responsibility Expenses	79	76
	25	23
Total	357	345

NOTE 29 – OFFICERS’ REMUNERATION

The remuneration paid to the Council’s senior employees is as follows:

		Salary, Fees and Allowances £	Expenses Allowance £	Pension Contribution £	Total £
Chief Executive (from 5/12/18) (Previously Deputy Chief Executive (S151) 1/4/17 to 3/6/18, 18.5 hours per week and 4/6/18 to 4/12/18, 32 hours per week) (Also Joint Interim Chief Executive 11/10/18 to 4/12/18, 32 hours per week)	2018/19	83,860	-	13,921	97,781
	2017/18	44,914	-	7,169	52,083
Chief Executive (to 10/10/18)	2018/19	57,793	-	9,594	67,387
	2017/18	109,332	-	18,196	127,528
Executive Director for Communities and Deputy Chief Executive (from 1/2/19) (Previously Director 1/4/17 to 31/1/19) (Also Joint Interim Chief Executive 11/10/18 to 6/3/19)	2018/19	82,890	-	13,760	96,650
	2017/18	74,650	-	12,019	86,669
Assistant Director - People (from 22/10/18)	2018/19	25,708	-	4,470	30,178
	2017/18	-	-	-	-
Assistant Director - People (to 03/06/18)	2018/19	10,699	-	1,744	12,443
	2017/18	64,019	-	10,020	74,039
Assistant Director - Place	2018/19	61,497	-	10,408	71,905
	2017/18	62,464	-	10,020	72,484
Assistant Director - Growth (1/10/17 to 5/6/18) (Previously Corporate Asset Manager 1/4/17 to 30/9/17)	2018/19	11,196	-	1,825	13,021
	2017/18	62,408	-	10,020	72,428
Assistant Director - Corporate Governance (from 1/2/19) (Previously Monitoring Officer 11/9/17 to 31/5/18, 22.2 hours per week and 1/6/18 to 31/1/19, 37 hours per week)	2018/19	60,186	-	9,991	70,177
	2017/18	20,746	-	3,382	24,128
Assistant Director - Property, Business and Growth (from 11/3/19)	2018/19	3,732	-	620	4,352
	2017/18	-	-	-	-
Assistant Director - Development (from 1/2/19) (Previously Assistant Director Growth 5/6/18 to 31/1/19)	2018/19	47,044	-	8,322	55,366
	2017/18	-	-	-	-
Assistant Director - Organisational Improvement and Development (from 25/2/19)	2018/19	5,900	-	980	6,880
	2017/18	-	-	-	-

**Prior to September 2017 a secondment arrangement was in place with Boston Borough Council for the Council’s Monitoring Officer.

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

Remuneration Band	2018/19 Number of Employees	2017/18 Number of Employees
£50,000 – £54,999	3	2
£100,000 – £104,999	-	1

The Council terminated the contracts of a number of employees in 2018/19 incurring liabilities of £55,050 (£81,597 in 2017/18). The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19 £	2017/18 £
£0 - £20,000	-	1	4	4	4	5	20,036	25,734
£20,001 - £40,000	-	-	1	-	1	-	35,014	-
£40,001 - £60,000	-	1	-	-	-	1	-	55,863
Total cost included in CIES							55,050	81,597

NOTE 30 – EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Financial Statements.

	2018/19 £'000	2017/18 £'000
Statutory Audit Services		
Fees payable to Mazars (KPMG LLP in 2017/18) with regard to external audit services carried out for the year by the appointed auditor for the year	36	47
Fees payable to KPMG LLP with regard to certification of grants and claims	7	7
Other Audit Services		
Share of fees payable to Duncan & Toplis (KPMG LLP in 2017/18) with regard to external audit services carried out for the year on behalf of Public Sector Partnership Services (formerly Compass Point Business Services)	5	12
Total	48	66

NOTE 31 – GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19:

	2018/19 £'000	2017/18 £'000
Credited to Taxation and Non Specific Grant Income and Expenditure		
Revenue Support Grant	-	(2,213)
S31 Grant – Small Business Rates Relief	(3,453)	(2,082)
New Homes Bonus Scheme Grant	(1,525)	(1,941)
Other non-ring fenced Government grants	(101)	(541)
Total	(5,079)	(6,777)
Credited to Services		
Housing Benefit Subsidy	(38,211)	(41,196)
Council Tax Support and Housing Benefit Administration	(709)	(765)
Disabled Facilities Grant	(1,820)	(1,684)
Community Housing Fund	-	-
Home Office – Police and Crime Commissioner Panel	(64)	(64)
Discretionary Housing Payment	(286)	(297)
Wellbeing Service	-	(869)
Other Housing Benefit grants to deliver Local Initiatives	(179)	(135)
Health Funding	-	-
Homelessness Grants	(238)	(176)
Other grants	(144)	(169)
Total	(41,651)	(45,355)
Sources of Grant Income:		
Central Government	(44,856)	(49,647)
Other Local Authorities	(1,874)	(2,485)
Other Bodies	-	-
Total	(46,730)	(52,132)

NOTE 32 – 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

UK Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits).

Details of material transactions with Central Government are shown below. 2017/18 comparators shown in brackets.

• Funding from Government	Note 31	£44.856m (£49.647m)
• Non-Domestic Rates Share Payable	Collection Fund	Nil (£17.240m)
• Debtors	Note 18	£1.278m (£1.944m)
• Creditors	Note 21	£0.806m (£1.557m)

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2018/19 is shown in Note 28. During 2018/19, a number of members were also directors of Public Sector Partnership Services (formerly Compass Point Business Services (East Coast) Ltd), directors of Magna Vitae Trust for Leisure and Culture, members of Internal Drainage Boards and other local community associations.

Payments to Companies during the year (other than to those companies mentioned above) for which members are directors, amounted to £76,000 (£92,000 in 2017/18).

Details of specific transactions where members declared their interests are recorded in the Register of Members' Interest, open to public inspection at the Council Offices during office hours. The Council is compliant with the Localism Act 2012.

Officers

During 2018/19 the Chief Executive served as Director of Public Sector Partnership Services (formerly Compass Point Business Services (East Coast) Ltd) by virtue of their position as Head of Paid Service. No other material transactions were identified.

Other Public Bodies

Arrangements for the sharing of the Council's Section 151 Officer and Deputy Section 151 Officer with Boston Borough Council ceased in 2018/19 which had been in operation since 1 January 2011. The cost therefore to the Council in 2018/19 was £0 and for 2017/18 was £15,774. The Council now shares a Section 151 Officer in a part time role with Corby Borough Council with effect from 1 March 2019.

Entities Controlled or Significantly Influenced by the Council

Public Sector Partnership Services (formerly Compass Point Business Services)

Joint merged service organisation arrangements for the shared provision of a number of back office services with South Holland District Council were implemented with effect from 1 August 2010, delivered through Public Sector Partnership Services (PSPS, formerly Compass Point Business Services (CPBS) (East Coast) Ltd). The Council's share of the Company's assets, liabilities, income and expenditure are shown in note 39. There are no significant balances outstanding between the Council and the Company at the 31 March 2019.

Further information about the accounts of PSPS is available from the Company Secretary, Eversheds House, 70 Great Bridgewater Street, Manchester, M1 5ES

Magna Vitae Trust for Leisure and Culture

From 1 January 2015 the delivery and operation of leisure, cultural and health related services were transferred to Magna Vitae Trust for Leisure and Culture, a registered charity. For the financial year 2017/18 two of the ten trustees of Magna Vitae during the year were Council Members. The Council paid a service fee of £1,712,873 to Magna Vitae for the 2018/19 financial year (£2,023,848 in 2017/18). In addition it provided support service functions including IT, Finance and HR Services.

There were no significant balances outstanding between the Council and the Company at 31 March 2019.

NOTE 33 – 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). This is 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.

	2018/19 £'000	2017/18 £'000
Opening Capital Financing Requirement	3,992	2,512
Capital Investment		
Property, Plant and Equipment	2,219	2,291
Assets Held For Sale	50	-
Long Term Investments	20,007	1,497
Intangible Assets	21	70
Revenue Expenditure Funded from Capital under Statute	1,377	1,810
Investment Properties	-	-
Sources of finance		
Capital receipts	(88)	(54)
Government grants and other contributions	(1,416)	(1,515)
Sums set aside from revenue:		
Direct revenue contributions	(2,163)	(2,602)
Finance leases - repayments	-	(18)
Other Adjustment to CFR	-	1
Closing Capital Financing Requirement	23,999	3,992
Explanation of movements in year		
Increase in underlying need to borrow	20,007	1,497
Assets acquired under finance leases & other adjustments	-	(17)
Increase/(decrease) in Capital Financing Requirement	20,007	1,480

NOTE 34 – LEASES

Council as Lessee - Operating Leases

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

	31 March 2019 £'000	31 March 2018 £'000
Not later than 1 year	115	41
Later than 1 year and not later than 5 years	27	72
Later than 5 years	30	34
	172	147

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

	31 March 2019 £'000	31 March 2018 £'000
Minimum lease payments	191	191
	191	191

Council as Lessor - Operating Leases

The Council leases out property under operating leases for the following purposes:

- For the provision of community services, such as sports facilities, tourism services and community centres, and
- For economic development purposes to provide suitable affordable accommodation for local businesses.

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

	31 March 2019 £'000	31 March 2018 £'000
Not later than 1 year	1,549	1,723
Later than 1 year and not later than 5 years	4,386	5,024
Later than 5 years	10,863	13,161
	16,798	19,908

In addition, the Council received £226,912 as a charge for office space (£226,912 in 2017/18) from Public Sector Partnership Services (formerly Compass Point Business Services (East Coast) Ltd) in respect of the usage of office space only. No formal long term arrangement currently exists.

There are no contingent rents payable to/from the Council, both as lessee and lessor.

NOTE 35 – DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, there is a commitment to make the payments and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered by Lincolnshire County Council. This is a funded defined benefit scheme, meaning that the employer and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

The Lincolnshire 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 Lincolnshire County Council. Policy is determined in accordance with the Pensions Fund Regulations.

The principal risks of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to 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.

The financial information contained in this note includes the position for East Lindsey District Council together with a share for Public Sector Partnership Services (formerly Compass Point Business Services Ltd) to comply with the accounting requirements for Joint Operations.

Transactions Relating to Post-employment Benefits

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

	Local Government Pension Scheme	
	2018/19 £'000	2017/18 £'000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
<i>Service cost comprising</i>		
Current service cost	4,058	3,832
Past Service costs (including curtailments)	19	-
<i>Financing and Investment Income and Expenditure</i>		
Net interest expense	1,427	1,370
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	5,504	5,202
<i>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>		
Remeasurement of net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(5,401)	207
Actuarial (gains) and losses arising on changes in demographic assumptions	-	-
Actuarial (gains) and losses arising on changes in financial assumptions	8,580	(2,654)
Other experience	(17)	10
Total Remeasurements recognised in Other Comprehensive Income and Expenditure	3,162	(2,437)
Total Post-employment Benefit charged to the Comprehensive Income and Expenditure Statement	8,666	2,765
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(2,751)	(2,758)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	2,605	2,293
Contributions in respect of unfunded benefits	148	151

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme	
	2018/19 £'000	2017/18 £'000
Present Value of the defined obligation	(151,853)	(138,741)
Fair Value of plan assets	91,857	84,658
Net Liability arising from defined benefit obligation	(59,996)	(54,083)

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	Local Government Pension Scheme	
	2018/19 £'000	2017/18 £'000
Opening fair value scheme assets	84,658	83,393
Interest Income	2,214	2,112
Remeasurement gain/(loss)		
The return on plan assets, excluding the amount included in the net interest expense	5,401	(207)
Contributions from employer	2,605	2,293
Contributions from employees into the scheme	630	586
Contributions in respect of unfunded benefits	148	151
Benefits Paid	(3,799)	(3,670)
Closing fair value of scheme assets	91,857	84,658

Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)

	Funded Liabilities: Local Government Pension Scheme	
	2018/19 £'000	2017/18 £'000
Opening Balance at 1 April	138,741	137,155
Current Service Cost	4,058	3,832
Interest Cost	3,641	3,482
Contributions from scheme participants	630	586
<i>Remeasurements (gains) and losses:</i>		
Actuarial losses arising from changes in demographic assumptions	-	-
Actuarial losses arising from changes in financial assumptions	8,580	(2,654)
Other experience	(17)	10
Past service cost	19	-
Benefits paid	(3,799)	(3,670)
Closing Balance at 31 March	151,853	138,741

Local Government Pension Scheme assets comprised:

	Fair Value of Scheme Assets			
	2018/19		2017/18	
	Quoted prices in active markets £'000	% of Total assets	Quoted prices in active markets £'000	% of Total assets
Cash and Cash Equivalents	875	1%	1,036	1%
Equity Instruments				
Consumer	9,957	11%	6,220	7%
Manufacturing	3,912	4%	4,813	6%
Energy and utilities	2,236	2%	2,347	3%
Financial institutions	5,508	6%	5,822	7%
Health and Care	4,123	5%	3,601	4%
Information technology	6,071	7%	6,585	8%
Other	-	-	-	-
Debt Securities				
Corporate Bonds – Investment grade	-	-	-	-
UK Government	-	-	-	-
Other	-	-	-	-
Private Equity	1,033	1%	1,371	2%
Property				
UK Property	7,581	8%	7,174	8%
Overseas Property	587	1%	632	1%
Investment Funds and Unit Trusts				
Equities	25,035	27%	23,489	28%
Bonds	11,064	12%	10,007	12%
Infrastructure	1,736	2%	1,234	1%
Other	12,138	13%	10,327	12%
Total Assets	91,856	100%	84,658	100%

Basis for estimating Assets and Liabilities

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

The Local Government Pension Scheme has been assessed by Hymans Robertson, an independent firm of actuaries; estimates for the Lincolnshire Pension Fund are based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions, for the Council, used by the actuary have been:

	Local Government Pension Scheme	
	2018/19	2017/18
<i>Mortality assumptions:</i>		
Longevity at 65 for current pensioners (years):		
- Men	22.1	22.1
- Women	24.4	24.4
Longevity at 65 for future pensioners (years):		
- Men	24.1	24.1
- Women	26.6	26.6
Rate of increase in salaries	2.9%	2.8%
Rate of increase in pensions	2.5%	2.4%
Rate for discounting scheme liabilities	2.4%	2.6%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme	
	Approximate % increase to Employer Liability	Approximate monetary amount £'000
0.5% decrease in Real Discount Rate	10%	12,061
0.5% increase in the Salary Increase Rate	1%	1,270
0.5% increase in the Pension Increase Rate	9%	10,623

Impact on the Council's Cash Flows

The contributions paid by the Council are set by the Fund Actuary at each triennial actuarial valuation, the most recent being 31 March 2016. The employer's contributions rate, over the period to 31 March 2020, has been stabilised. The stabilisation mechanism implemented is for employer contribution rates to increase at 1% p.a from the 2016/17 level.

Employer contributions payable to the scheme in 2018/19 are estimated to be £2.581m.

The weighted average duration of the defined benefit obligation for scheme members is 17 years, 2018/19 (17 years 2017/18).

NOTE 36 – CONTINGENT LIABILITIES

At 31 March 2019 the Council has identified no contingent liabilities.

NOTE 37 – CONTINGENT ASSETS

At 31 March 2019 the Council has identified the following material contingent assets:

S106 Agreements

The Council has signed a number of S106 agreements that require developers to make payments to the Council at some future date, dependent upon certain events taking place such as when the development actually starts on site. The contributions generally have conditions requiring the Council to spend the monies in specific areas and on specific items. The total value of the contributions is unknown but is expected to be in excess of £1m.

NOTE 38 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key risks

The Council's activities expose it to a variety of financial risks. The key risks are:

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

Overall procedures for managing risk

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 (covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash).

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below:

This Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

The full Investment Strategy for 2018/19 was approved by Full Council on 8 March 2018 and amended at a meeting of Full Council on 9 May 2018. Both documents are available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £18.059m 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. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2019 that this was likely to crystallise.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions:

	Amount at 31 March 2019 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2019 %	Estimated maximum exposure to default and uncollectability at 31 March 2019 £'000	Estimated maximum exposure at 31 March 2018 £'000
	A	B	C	(A X C)	
Debtors	1,085	2.2%	2.2%	24	41

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for its customers, such that £94,362 of the £746,000 trade debtor balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2019 £'000	31 March 2018 £'000
Less than three months	678	378
Three to six months	2	-
Six months to one year	32	22
More than one year	34	42
Total	746	442

During the reporting period the Council held no collateral as security.

Liquidity Risk

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

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All trade and other payables are due to be paid in less than one year.

Refinancing and maturity risk

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

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

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

Market Risk

Interest Rate Risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- borrowings at fixed rates – the fair value of the borrowing will fall
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

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

According to this assessment strategy, at 31 March 2019, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£'000
Increase in interest receivable on variable rate investments	237
Impact on Surplus or Deficit on the Provision of Services	237

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk - The Council does not generally invest in equity shares or marketable bonds.

However it does have a shareholding in Public Sector Partnership Services (formerly Compass Point Business Services (East Coast) Ltd), a joint venture with South Holland District Council. These shares have been elected/classified as Fair Value through Other Comprehensive Income, meaning that all movements in price will impact on gains and losses recognised in the Financial Instruments Revaluation Reserve.

The Council holds £27.329m in property funds which are classified as 'fair value through profit and loss' meaning that all movements in price will impact on gains and losses recognised within the cost of services in the Comprehensive Income and Expenditure Statement, with the statutory override currently providing an opposite entry in the Capital Adjustment Account or Pooled Investment Adjustment Account. A general shift of 5% in the general price of units (positive or negative) would thus have resulted in a £1.366m gain or loss being reflected in these statements for 2018/19.

Foreign Exchange Risk

The Council has no material financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates.

NOTE 39 – JOINT OPERATION

East Lindsey has joint control with South Holland District Council over Public Sector Partnership Services Limited (formerly Compass Point Business Services (East Coast) Ltd), a company established in 2010 to provide 'back office' services to both Councils. East Lindsey owns 63%, of the company, and South Holland 37%, but voting rights are split 50:50.

This arrangement is classified as a joint operation. The Council recognises on its Balance Sheet an appropriate share of its rights to the assets and obligations for the liabilities and debits and credits the Comprehensive Income and Expenditure Statement with its share of expenses incurred and income it earns from the activity of the Company.

Public Sector Partnership Services' (formerly Compass Point Business Services) attributable proportion included in the Council's Balance Sheet as at 31 March 2019:

31 March 2018 £'000		31 March 2019 £'000
7	Property, Plant and Equipment	11
63	Intangible Assets	18
70	Long Term Assets	29
48	Short Term Debtors	71
712	Cash and Cash Equivalents	821
760	Current Assets	892
(90)	Cash and Cash Equivalents	(149)
(284)	Short Term Creditors	(272)
(374)	Current Liabilities	(421)
(4,702)	Other Long Term Liabilities	(6,050)
(4,246)	Net Assets	(5,550)
397	Usable Reserves General Fund	475
	Unusable Reserves	
70	Capital Adjustment Account	29
(4,702)	Pension Reserve	(6,050)
(11)	Accumulated Absences Adjustment Account	(4)
(4,643)		(6,025)
(4,246)	Total Reserves	(5,550)

Public Sector Partnership Services' (formerly Compass Point Business Services) attributable proportion included in the Council's Comprehensive Income and Expenditure Account for the year:

31 March 2018 £'000		31 March 2019 £'000
4,312	Gross Pay, National Insurance and Pensions	4,714
36	Premises Related Expenses	38
69	Transport Related Expenses	79
825	Supplies and Services	754
151	Depreciation and amortisation	55
5,393	Gross Operating Expenditure	5,640
(71)	Other Income	(48)
5,322	Cost of Services	5,592
131	Net interest on the net defined benefit liability	133
(1)	Interest receivable and similar income	(5)
5,452	(Surplus)/Deficit on the Provision of Services	5,720
(521)	Remeasurements of the net defined benefit liability	759
4,931	Total Comprehensive Income and Expenditure	6,479

COLLECTION FUND STATEMENT

2017/18			2018/19			
Council Tax £'000	Non- Domestic Rates £'000	Total £'000		Council Tax £'000	Non- Domestic Rates £'000	Total £'000
(68,011)		(68,011)	Income	(72,554)		(72,554)
	(35,448)	(35,448)	Council Tax (Note 2)		(35,937)	(35,937)
	(568)	(568)	Non-Domestic Rates (Note 3)		(1,095)	(1,095)
	-	-	Transitional Protection Payments receivable		(1,142)	(1,142)
	-	-	Contribution towards previous year's Collection Fund deficit		(913)	(913)
	-	-	Central Government		(228)	(228)
	-	-	East Lindsey District Council			
	-	-	Lincolnshire County Council			
(68,011)	(36,016)	(104,027)	Total Income	(72,554)	(39,315)	(111,869)
			Expenditure			
	17,240	17,240	Precepts, demands and shares		-	-
			Central Government			
7,885	13,792	21,677	East Lindsey District Council	8,369	20,914	29,283
50,225	3,448	53,673	Lincolnshire County Council	53,530	13,942	67,472
8,795		8,795	Police and Crime Commissioner for Lincolnshire	9,452		9,452
			Impairment of debts/appeals			
483	429	912	Increase in allowance for impairment	320	95	415
	1,307	1,307	Increase/(decrease) in provision for appeals (Note 4)		(1,480)	(1,480)
			Transitional Protection Payments payable			
	267	267	Cost of Collection Allowance		264	264
	741	741	Renewable Energy		757	757
			Contributions towards previous year's Collection Fund surplus			
	1,102	1,102	Central Government	-		-
69	220	289	East Lindsey District Council	77		77
458	882	1,340	Lincolnshire County Council	490		490
82		82	Police and Crime Commissioner for Lincolnshire	85		85
67,997	39,428	107,425	Total Expenditure	72,323	34,492	106,815
(14)	3,412	3,398	Deficit/(Surplus) arising during year	(231)	(4,823)	(5,054)
(652)	(1,343)	(1,995)	Deficit/(surplus) at beginning of year	(666)	2,069	1,403
(666)	2,069	1,403	Deficit/(surplus) at end of year (Note 5)	(897)	(2,754)	(3,651)

NOTES TO THE COLLECTION FUND STATEMENT

NOTE 1 – PURPOSE OF COLLECTION FUND STATEMENT

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

NOTE 2 – COUNCIL TAX RECEIVABLE

Council Tax income derives from charges raised according to the value of residential properties that have been classified into eight Valuation Bands (A to H). Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Lincolnshire County Council, Police and Crime Commissioner for Lincolnshire and East Lindsey District Council, together with the relevant Parish requirement.

This is then divided by the Council Tax base, i.e. the number of properties in each valuation band, converted to an equivalent number of band D dwellings and adjusted for discounts and exemptions.

The Council Tax base was calculated as follows:

Band	No. of properties on Valuation List	No. of dwellings after discounts and exemptions	Ratio	Band D equivalent dwellings
A (with Disabled Relief)		47	5/9	26
A	27,107	17,052	6/9	11,368
B	14,285	11,169	7/9	8,687
C	15,687	13,073	8/9	11,620
D	6,351	6,024	9/9	6,024
E	3,272	2,991	11/9	3,656
F	1,152	1,090	13/9	1,575
G	531	474	15/9	790
H	52	33	18/9	67
Band D Equivalents				43,813
Allowance for non-collection (1.44%)				(632)
Armed forces contribution				287
District Tax Base				43,468

The basic amount of Council Tax for a band D property including an average parish charge, £1,641.45 (2017/18 £1,563.11), is then multiplied by the ratio specified for the particular band to give an individual amount due.

NOTE 3 – NON-DOMESTIC RATES RECEIVABLE

Under the arrangements for non-domestic rates, the Council collects rates for its area based on local rateable values (determined by the Valuation Office Agency, an executive agency of HM Revenue and Customs) multiplied by the multiplier (determined by the Government). For 2018/19 there are two multipliers, the non-domestic rating multiplier of 49.3p and the small business non-domestic rating multiplier of 48.0p.

The Council's total Non-Domestic Rates Rateable Value at 31 March 2019 was £100.121m (31 March 2018 £99.774m).

NOTE 4 – NON-DOMESTIC RATES PROVISION FOR APPEALS

The Collection Fund provides for a provision for appeals against the Rateable Value set by the Valuation Office Agency (VOA) not settled at 31 March 2019.

	Business Rate Appeals	
	£'000	£'000
Balance at 1 April 2018		(3,907)
Amounts used in 2018/19		376
		(3,531)
Additional provisions made in 2018/19	(507)	
Unused amounts reversed in 2018/19	1,987	
		1,480
Balance at 31 March 2019		(2,051)

NOTE 5 – COLLECTION FUND DEFICIT/ (SURPLUS)

As at 31 March 2019, the net surplus on the Collection Fund is £3,651,000 (31 March 2018, a deficit of £1,403,000).

The Council Tax surplus is apportioned to the relevant precepting bodies based on the following year's Council Tax requirement. Whereas, the Non-Domestic Rates deficit relating to 2017/18 is apportioned to East Lindsey (40%), Central Government (50%) and Lincolnshire County Council (10%), and the surplus relating to 2018/19 is apportioned to East Lindsey (60%) and Lincolnshire County Council (40%). This is due to East Lindsey being part of the 2018/19 Lincolnshire Business Rates Pilot.

The balance on the Collection Fund is allocated as follows:

2017/18			2018/19	
Council Tax	Non-Domestic Rates		Council Tax	Non-Domestic Rates
£'000	£'000		£'000	£'000
	1,034	Central Government		(107)
(78)	828	East Lindsey District Council	(104)	(1,610)
(500)	207	Lincolnshire County Council	(668)	(1,037)
(88)		Police and Crime Commissioner for Lincolnshire	(125)	
(666)	2,069	(Surplus)/deficit	(897)	(2,754)

Independent auditor's report to the members of East Lindsey District Council

Report on the financial statements

Opinion

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

In our opinion, the financial statements:

- give a true and fair view of the financial position of East Lindsey District Council as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

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

Conclusions relating to going concern

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

- the Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Section 151 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Section 151 Officer is responsible for the other information. The other information comprises the information included in the Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of the Section 151 Officer for the financial statements

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Section 151 Officer is also responsible for such internal control as the Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Section 151 Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Section 151 Officer is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

We have nothing to report in these respects.

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

Conclusion

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

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

Responsibilities of the Council

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

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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

Use of the audit report

This report is made solely to the members of East Lindsey District Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

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



Mark Surridge

For and on behalf of Mazars LLP
45 Church Street
Birmingham
B32RT

31 July 2019

EAST LINDSEY DISTRICT COUNCIL ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

- 1.1 East Lindsey District Council (ELDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. ELDC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, ELDC is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 1.3 The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Council's code is on our website at www.e-lindsey.gov.uk or can be obtained from the Council offices. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the Council for the year ended 31 March 2019 and up to the date of approval of the annual Accounts.

3. The Governance Framework

- 3.1 The Council's review of the effectiveness of its governance arrangements is set out below against the key elements identified in *Delivering Good Governance in Local Government: Framework*.

Key Elements	Description of Governance Mechanisms	Assurance Received
<p>Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users</p>	<ul style="list-style-type: none"> • The Corporate Strategy 2014-2018 was approved by the Council in July 2014 and sets out the vision and priorities for the Council. A quarterly report sets out the Council's targets and performance measures that reflect the priorities set by services in their Service Plans and also reports on key financial monitoring and decision making that help the delivery of the Corporate Strategy • The annual 'State of the District Report provides wider contextual information at a district level, providing a range of indicators that help identify general health, community safety and economic trends. • The Council is pro-active in reporting activity and outcomes to the public through the local press and social media, as well as through an electronic newsletter called The Messenger • The vast majority of Council business is undertaken in public meetings 	<ul style="list-style-type: none"> • The Performance Management Framework quarterly report is reported through the Executive Board and the Overview Committee. • Portfolio Holders receive monitoring reports on the key indicators and operational indicators along with finance reports, on a six weekly basis • The Management Team receive the full quarterly reports, and also monthly reports which contain operational indicators designed to track demand volumes as well as targets • The Strategic Risk Register and Internal Audit Plan support the achievement of the Council's priorities • The Medium Term Financial Strategy which is reported at the February Council not only sets the scene financially, it also identifies any change to priorities and/or new areas of focus.
<p>Reviewing the Authority's vision and its implications for the Authority's governance arrangements</p>	<ul style="list-style-type: none"> • Challenge sessions with officers and members were held during autumn 2017 to consider the priorities and targets being set by services. <p>Corporate Strategy Review</p> <ul style="list-style-type: none"> • It was decided that the Corporate Strategy 2014-2018 should be fully reviewed after the Local Elections (May 2019) so that it meets with the priorities of the new administration and Council. • 	<ul style="list-style-type: none"> • Review of current performance against priorities reported to Portfolio Holders and evidence in Service Plans • Feedback from community/member/staff consultation on Council priorities • The current Corporate Strategy 2014-2018 was subject to an internal review during 2018 to ensure that it is still relevant and reflective of current priorities; and it is deemed to be so.

<p>Translating the Vision into objectives</p>	<ul style="list-style-type: none"> • The Service Plans identify activity that helps to deliver the Corporate priorities • The Medium Term Financial Strategy identifies risks and opportunities to achieving the delivery of the Council’s priorities • The Risk Strategy and Risk Register supports the delivery of priorities. 	<ul style="list-style-type: none"> • Service Plans agreed by Corporate Management Team and Portfolio Holders, with targets captured in the Performance Report • MTFS agreed by Executive Board and Council
<p>Measuring the quality of service for users, for ensuring they are delivered in accordance with the Authority’s objectives and for ensuring that they represent the best use of resources and value for money</p>	<ul style="list-style-type: none"> • A range of surveys are carried out each year, co-ordinated through the Corporate Consultation programme • Internet questions and monitoring of social networking • Quarterly Monitoring report contains both performance and finance indicators and a dashboard to show the overall health of the organisation • Regular Portfolio Holder meetings held with key staff to monitor performance, project activity and new areas of work or policy. • Compliments and complaints summary included in Performance Report and reported to the Management Team. • Individual Services carry out their own customer satisfaction surveys which feed into service improvement 	<ul style="list-style-type: none"> • Performance Management Framework quarterly report, reported through Executive Board, Overview Committee and Audit & Governance Committee; including finance data and decisions as well as performance target detail • Management Team Action Notes • Feedback from service level surveys • Portfolio Holder meetings timetabled for the full year, with updates on key actions provided to each meeting and published in the Members’ Point Brief
<p>3.1.5 Defining and documenting the roles and responsibilities of the Executive, non-Executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements</p>	<ul style="list-style-type: none"> • This is set out in the Council’s Constitution • The Constitution is updated where necessary. Significant changes are reported to the Audit & Governance Committee and then to Council 	<ul style="list-style-type: none"> • Proposed changes/updates to the Constitution brought to Council for consideration • A full and comprehensive review of the Constitution has taken place, and a new and updated Constitution was agreed at Full Council in April 2017 following consideration by the Audit & Governance Committee. • Formal ELDC/PSPS Management Agreement documentation is reported through Audit & Governance Committee • A full review of future contractual arrangements with PSPS has taken place in partnership with South Holland District Council. This has included a review of the PSPS Board governance arrangements. The contract has been fully reviewed and a new contract period starts in 2019. PSPS have set out a Transformation Programme as part of

		<p>that process to identify and plan for further efficiencies. These have been reported to Full Council through series of formal reports completed in 2018/19.</p> <ul style="list-style-type: none"> • Management Agreement and contract in place with Magna Vitae (MV), and MV produce a quarterly and annual report that is made available to all members. • The contractual arrangement and delivery priorities (Business Plan) have been fully reviewed in 2018 as set out in the Councils' Transformation Programme; this was reported to Full Council. This has included a review of the contract price, charging, new investments to enable future contract price reductions (invest to save), and the development of current and new service provision. • Monitoring of partnering arrangements on an ongoing basis take place through the Partnerships Portfolio; and include reports to the Finance Portfolio Holder where appropriate.
<p>Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff</p>	<ul style="list-style-type: none"> • This is set out in the Council Constitution • Expectations and requirements of staff behaviour are set out in the Staff Handbook provided to all new staff and available on the website • The Constitution sets out expectations and guidance on Councillor/Officer working relationships • Training is provided to all members on the member code of conduct arrangements (mandatory training) • Audit & Governance Committee monitor member standards arrangements. This role is set out in the Constitution. • The Monitoring Officer provides ongoing support and advice to Councillors as required and/or requested. • The Monitoring Officer is able to provide guidance to Town & Parish Councils as requested • The Monitoring Officer considers, and may investigate, complaints about ELDC Councillors, and Town and Parish Councillors 	<ul style="list-style-type: none"> • Audit & Governance Committee oversee standards arrangements including receiving reports on complaints regarding conduct and the measures taken or recommended • Audit & Governance Committee provide a Hearing Panel function for any serious complaints • The Officer Code of Conduct is embedded in the revised Council Constitution. • A Monitoring Officer is directly employed by the ELDC to support Councillors as required.

<p>Reviewing the effectiveness of the Authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality</p>	<ul style="list-style-type: none"> • This is set out in the Constitution • Decision making arrangements meet legislative requirements • The Performance Team have a rolling programme of data quality checking • Data sharing protocols are in place where necessary • Service Level Agreements with partners are in place and monitored carefully (financial and performance), with named officers and Portfolio responsibilities set out 	<ul style="list-style-type: none"> • All members and officers are provided with guidance on decision making arrangements with detailed delegations set out in the Constitution; these are updated when necessary and reported to Council. • Data Quality checking results reported to Management Team • Contractual develops between ELDC and PSPS and Magna Vitae have been reported to Full Council during 2018/19. • A full and comprehensive review of the Constitution has taken place, and a new and updated Constitution was agreed at Full Council in April 2017. This has continued to be updated when necessary, and the Delegation section has been fully updated following senior management changes and new senior managers recruited. Contractual arrangements or partnering arrangements are subject to GDPR reviews on an ongoing basis, particularly where there are any changes.
<p>Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability</p>	<ul style="list-style-type: none"> • Strategic Risk register in place and monitored by managers and members • Operational Risk Registers in place and monitored by the Performance Manager and Management Team. • Operational staff able to escalate risks reporting to Management Team 	<ul style="list-style-type: none"> • The Risk Strategy and Risk Registers were subject to external evaluation in 2016. The Strategy was fully refreshed and brought in-line with up to date methods of managing risk, and approved through Full Council. • An audit of our Risk Management arrangements in March 2018 resulted in Substantial Assurance, and included some very positive feedback. • Management Team update the Strategic Risk Register quarterly and feed into the Performance Report • Strategic Risk Register are reported in the quarterly Performance Framework and separately to the Audit & Governance Committee and Management Team

		<ul style="list-style-type: none"> Operational Risks are identified in annual Service Plans Service level monitoring Risk Appetite workshops were held with Councillors and Managers in 2018/19 to help inform the council's decisions.
Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained	<ul style="list-style-type: none"> A Counter Fraud Policy and Fraud Response Plan is in place. Anti-fraud training is provided to Audit & Governance Committee Team Leaders complete an on-line training programme on fraud The Council actively takes part in the National Fraud Initiative A counter fraud e-learning package is completed by all staff The Council's Fraud Risk Register is regularly reviewed and updated An Annual Fraud Report is presented to Audit and Governance Committee The Council is a member of the Lincolnshire Counter Fraud Partnership which provides access to best practice, guidance and support. 	<ul style="list-style-type: none"> Audit & Governance Committee and Staff training Work with DWP arrangements Reminders provided to staff to be aware of fraud risk. Council's Fraud Risk Register presented to Audit and Governance Committee as part of Annual Fraud Report
Ensuring effective management of change and transformation	<ul style="list-style-type: none"> Challenge sessions with staff and members are carried out annually Reporting of significant changes to policy or provision are reported through Portfolio and Executive Board (and Council where appropriate) A Corporate Staff Development programme is in place People Strategy in place to ensure appropriate levels of support and training are in place to enable staff to manage change People Strategy Action plan reviewed and delivered annually. Strong internal communication to keep staff and members informed Bi-annual staff survey to help monitor impact of change Project Management process in place Member of Management Team have corporate responsibility for projects that deliver change Improved working relationship with PSPS that enables joint working on change programmes within back office services. A new Organisational Development Team has been put in place to support change arrangements across the council – providing additional support to managers. 	<ul style="list-style-type: none"> Management Team decisions Portfolio/Executive Board reports and decisions Overview Committee reports and decisions Client/Contractor management meetings are held regularly to discuss planned changes to service delivery and priorities The Client Officer and members of management team are engaged with PSPS in the development of their Transformation Programme The annual review of the People Strategy is reported to Overview Committee and Executive Board; along with key points from the staff survey An Organisation development Strategy will be developed from April 2019 onwards.

<p>Ensuring the Authority's financial management arrangements conform with the governance requirements of the <i>CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)</i> and, where they do not, explain why and how they deliver the same impact</p>	<ul style="list-style-type: none"> • Full compliance with the CIPFA guidance: <ul style="list-style-type: none"> – Role of Chief Financial Officer (CFO) is undertaken by the Section 151 Officer with responsibilities set out in the Constitution; key member of Corporate Management Team (CMT); professionally qualified accountant with direct access to the Chief Executive, Leader, Executive Board, Audit & Governance Committee & the appointed auditors – The Finance team is fit for purpose – <p>The Medium Term Financial Strategy, annual budget process, compliance with CIPFA codes and guidance on capital finance, treasury management and management of reserves</p>	<ul style="list-style-type: none"> • Adequacy of financial arrangements are overseen by Chief Financial Officer, Portfolio Holder for Finance and Audit & Governance Committee
<p>Ensuring the authority's assurance arrangements conform with the governance requirements of the <i>CIPFA Statement on the Role of the Head of Internal Audit (2019)</i> and, where they do not, explain why and how they deliver the same impact</p>	<ul style="list-style-type: none"> • Full compliance with the CIPFA guidance: <ul style="list-style-type: none"> – The Internal Audit Team/Head of Internal Audit provide an objective and evidence based opinion on all aspects of governance, risk management and internal control – The internal audit service is fit for purpose – The Head of Internal Audit reports directly to the Management Team and Section 151 Officer, the Audit & Governance Committee and is able to meet separately with the Chair of the Audit & Governance Committee should that be required (as set out in the Constitution) – Audit Team attend external training as necessary, and access national network of governance support through CIPFA – Head of Internal Audit maintains working relationship with other Internal Audit functions in the County to share good practice. – The UK Public Sector Internal Audit Standards have been implemented. A Quality Assurance Improvement Programme is maintained as part of those new standards – An external review of Internal Audit's conformance with the Public Sector Internal Audit Standards was undertaken during 2016/19. The report shows that the Council's Internal Audit function 'generally conforms' with the Mission Statement for Internal Audit, the Standards of Practice and the Code of Ethics laid down in the PSIAS and the associated CIPFA advisory note – 	<ul style="list-style-type: none"> • The Management Team receives and considers all Internal Audit reports • Audit & Governance Committee monitor audit recommendations and receive updates where necessary • Internal review of the conformance of Internal Audit with the Public Sector Internal Audit Standards

	12 audits have been completed from the 2018/19 Audit Plan; of those, 5 had High Assurance, 4 Substantial Assurance, 1 Limited Assurance and 1 Low Assurance. One review was a Consultancy piece and therefore no opinion is provided. Recommendations have been agreed to address the required improvements and 95% of recommendations have been implemented as at March 2019, this represents a significant increase on last year's rate. The themed areas of Governance, Risk Management and Internal Control are all identified as Green (performing well), with Financial Control as Amber (performing adequately)	
Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function	<ul style="list-style-type: none"> • Set out in the Constitution • The Council directly employs a Monitoring Officer • 	<ul style="list-style-type: none"> • Council through the Constitution
Ensuring effective arrangements are in place for the discharge of the head of paid service function	<ul style="list-style-type: none"> • Set out in the Constitution 	<ul style="list-style-type: none"> • Council through the Constitution
Undertaking the core functions of an Audit Committee , as identified in CIPFA's <i>Audit Committees: Practical Guidance for Local Authorities</i>	<ul style="list-style-type: none"> • The Terms of Reference which include the core functions are set out in the Constitution • The Audit & Governance Committee have had training to help them understand their role and responsibility • Training for a new Audit & Governance Committee and substitution members is now identified as mandatory in the Constitution. • The Chair and Vice Chair attend external training as necessary 	<ul style="list-style-type: none"> • Council through the Constitution • Audit & Governance Committee
Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful	<ul style="list-style-type: none"> • Annual Internal Audit Plan work includes the review of compliance in some of these areas • The Section 151 Officer and Monitoring Officer advise on the legality of activity where appropriate, and Legal Services Lincolnshire provides advice on legislation and law • An Assurance Framework has been created to monitor conformance with all Regulatory, Legislative, Policy and Operational requirements 	<ul style="list-style-type: none"> • Management Team, Audit & Governance Committee (through IA reporting) • External Audit Plan • Annual Assurance Report to Senior Management Team and Audit and Governance Committee following the creation of the Assurance Framework

<p>Whistleblowing and for receiving and investigating complaints from the public</p>	<ul style="list-style-type: none"> • A Whistleblowing policy in place • A clear Feedback Policy and procedure is in place (including complaints) • A dedicated officer delivers the complaints process and also trains and advises staff. Each service has an allocated contact officer • MT receives a regular report setting out the number and type of complaints, along with the outcome and any changes of measures implemented 	<ul style="list-style-type: none"> • Management Team • Feedback levels included in the Quarterly Performance Report • Complaint statistics and trends reported to Audit and Governance Committee as part of the Annual Information Governance Report
<p>Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training</p>	<ul style="list-style-type: none"> • Reserved Member Days are pre-booked as part of the Programme of Committee meetings (1 per month) for any training or awareness sessions requested by members and/or suggested by officers • A very thorough member induction programme is delivered following District Council elections • Training for named Committees is mandatory as set out in the Constitution • Training and development opportunities are circulated to members on a regular basis alongside internal training provision • Groups are encouraged to identify development priorities through local and national networks • Annual staff survey/staff appraisal • An annual corporate training programme is developed and implemented annually, linked to service requirements and development needs 	<ul style="list-style-type: none"> • Feedback through Overview Committee • Management Team • A new corporate training system has been developed and rolled out to staff. This will enable both individual staff and the organisation to more easily monitor completed training, especially where it is a requirement, and/or is linked to professional standards. • The Corporate Training Programme budget continues to be protected to ensure staff are able to access mandatory and discretionary training and development. • The Councillor Training Budget continues to be protected. Corporate and Group training opportunities can be supported.
<p>Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation</p>	<ul style="list-style-type: none"> • ‘Messenger’ e-magazines are produced with a combination of Council and partner articles. Annual feedback on the magazine is obtained and feeds into improvements • A range of consultations are carried out with service users (co-ordinated through a central team) • A new Consultation Commitment has been introduced in 2018/19 following a recommendation made through a scrutiny report. • Pro-active communication through the press, along with communication through the ELDC website, Facebook and twitter • Town & Parish Portal is used proactively to push information out to local Councils • Annual consultation with the community on the budget and/or corporate priorities 	<ul style="list-style-type: none"> • Management Team • Executive Board for key pieces of consultation • Town & Parish Council Portal • Information and feedback provided via the council website • Communications Team in place to support messages to the public, including during emergency situations.

	<ul style="list-style-type: none"> • Thorough public consultations take place where there is a potentially significant change to a service and reported through to the decision making process 	
Enhancing the accountability for service delivery and effectiveness of other public service providers	<ul style="list-style-type: none"> • The Overview Committee take an active role in overseeing scrutiny of other public service providers e.g. Feedback from the County Health and Wellbeing Scrutiny Committee • Partner agencies are invited to Scrutiny & Policy Panels • Significant changes to other public services communicated to members through briefing or awareness sessions • The Annual State of the District Report includes performance measures for other agencies • Newsletters/Communications from external partners are circulated to managers. • Members are informed of any significant consultations being held by key partner organisations (e.g. NHS) 	<ul style="list-style-type: none"> • Overview Committee • Scrutiny & Policy Panels • Reserved Members' Days • A Scrutiny Working Group has been actively monitoring and feeding into the development of a local STP (NHS). This is an ongoing Group that feeds back into the Overview Committee.

<p>Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the Authority's overall governance arrangements</p>	<ul style="list-style-type: none"> Operational /strategic partnering arrangements are subject to contractual agreements and performance monitoring and reported on as part of service and budget monitoring Portfolio Holders have responsibilities for receiving reports on key partner arrangements PSPS arrangements are reported to and overseen by the Audit & Governance Committee and annually through the Council. A management Agreement is in place. PSPS provide briefing sessions to members on an annual basis. Joint working arrangements are subject to written agreements approved by Management Team and portfolio holders The county wide Wellbeing service is led by ELDC and subject to thorough contract monitoring by LCC. There is an operational board that includes the partner authorities who are delivering parts of that contract where performance is monitored. Performance Indicators are also reported in ELDC's Performance Report. 	<ul style="list-style-type: none"> Audit & Governance Committee Management Team Portfolio Holder (Partnerships) Full Council The governance arrangements of the PSPS Board have been reviewed following an external evaluation of the current contractual arrangements; and a series of reports have been submitted to Full Council setting out new contractual and governance arrangements.
<p>Information Governance</p>	<ul style="list-style-type: none"> Following the voluntary Information Commissioners Office (ICO) audit, the authority has built up significant expertise in the area (provided training and services to other organisations) All staff receive annual Data Protection Act (DPA) training; and the SIRO and Head of Audit have received additional GDPR training. Members have received training on GDPR, and training is built into the post-election Induction Programme An ongoing programme, working with internal Information Asset Owners, is in place, and an information management improvement programme is in place. An external audit was carried out of the service, providing a High assurance level The Data Protection Officer is experienced and has been in place for over a year. Implementation of the GDPR Action Plan is well progressed. 	<ul style="list-style-type: none"> Audit & Governance Committee Management Team Portfolio Holder Performance Report A Data Protection Officer (DPO) has been appointed as required by the GDPR A corporate GDPR Implementation Action in place and monitored Data Sharing Agreements and contractual arrangements are reviewed on an ongoing basis to ensure compliance with the GDPR All Councillors have been registered with the Information Commissioners Office, although this requirement will change in 2019/20.

4 Review of Effectiveness

4.1 The Council has responsibility for conducting, at least annually, a review of effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 The effectiveness of the governance framework has been evaluated in the following ways:

- Assurance from Audit and Governance Committee – annual review of 2018/19
- Assurance from Internal Audit; 12 audits completed; annual internal audit plan; quarterly performance reporting to Audit & Governance Committee on performance and internal audit recommendations tracker
- Assurance from Management Team
- Assurance from appointed external auditors; Annual Governance Report / Annual Audit Letter– unqualified audit opinion and value for money conclusion; annual audit plan
- Quarterly Performance Report, including performance and finance progress - reported to Executive Board, Overview Committee, and Management Team
- Overview Committee Annual scrutiny programme; Scrutiny & Policy Panels reviewing the work and decisions/pre-scrutiny of Executive Board and areas of the Council's work (reported directly to Council)
- External monitoring of contractual work

4.3 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit & Governance Committee, and that the arrangements continue to be fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

5 Update to Significant Governance Issues 2017/18

Subject	Responsible Officer	Update
<p>Payroll</p> <p>Work on Payroll key controls indicated a number of issues around a lack of separation of duties in respect of system administrator access, the completion and return of HR documentation and data security risks around the storage and management of personal information</p> <p>Separation of duties recommendations were dealt with immediately.</p>	<p>Lewis Ducket, Compass Point Business Services</p>	<p>2018/19 audit work indicated that the weaknesses identified have been satisfactorily addressed.</p>

<p>Implementation of the General Data Protection Regulations</p> <p>This Regulation is due to be fully implemented in 28 May 2018, bringing in additional and more thorough requirements in relation to our management and protection of personal data. The risk of a receiving a large fine due to a breach has also increased.</p> <p>ELDC has prepared very thoroughly for the GDPR. Having placed ourselves in a good position following a voluntary ICO audit, we have developed skills and capacity in this area. The Data Protection Officer is in post, and a GDPR Implementation Plan has been in place for a number of months, and good progress has been made in completing the actions. We have also worked very closely with Compass Point Business Services to prepare, and they have also implemented a through Action Plan following an external gap analysis of their processes and practices; including the security of IT systems.</p> <p>Whilst the Information Commissioner has been clear in stating that she does not expect 100% implementation on day 1, and that being able to show how we are progressing toward full compliance is more the expectation; we are not complacent about our position. We are aware that the ultimate aim is to ensure peoples' personal data is protected, for which we have a clear responsibility; we also need to feel confident that we are fully complaint in order to protect ourselves against potentially large fines from the ICO and/or the risk of individual claims against the council.</p> <p>We will continue to monitor our action plan through our regular update meetings, and also ensuring that we maintain our current staffing capacity which we have recently bolstered.</p>		<p>Progress on the implementation on the Data Protection legislation has been good and the organisation has a robust Information Governance Framework in place.</p>
<p>Accounts Receivable</p> <p>A number of key control weaknesses have been identified within the Accounts Receivable function, issues identified included inadequate authorisation processes, lack of separation of duties within the AX system, and some issues around GDPR and RIPA compliance.</p> <p>An action plan to address the issues has been agreed with PSPS.</p>	<p>Lewis Ducket (Compass Point Business Services)</p>	<p>2018/19 audit work identified that AR remains an area with some significant control weaknesses and is therefore included as a significant issue in the 2018/19 AGS</p>

Significant Governance Issues 2018/19

Subject	Responsible Officer	Timescale
<p>Control Accounts</p> <p>Work on Control Account key control testing identified weaknesses around reconciliations, which had also been highlighted in the 2017 audit work. There was a need for more robust reviews to enhance separation of duties, improved supporting documentation and greater accuracy in respect of formulas</p>	<p>Lewis Ducket (PSPS)</p>	<p>March 2019</p>
<p>Accounts Receivable</p> <p>A number of key control weaknesses have again been identified within the Accounts Receivable function. This area received a Low Assurance audit report in 2017/18 and required improvements have not been made, issues identified include inadequate authorisations, lack of separation of duties, delays in submitting debts for write off and inaccurate reporting of aged debt information.</p>	<p>Lewis Ducket (PSPS)</p>	<p>August 2019</p>
<p>Procurement</p> <p>Work on the Assurance Framework has identified a number of improvements required in respect of Procurement compliance. The Council's Contracts Register remains incomplete, aggregate spend has not been consistently identified either within service areas or organisation wide.</p> <p>A Procurement Officer has been appointed and an independent audit has been commissioned for 2019/20 in order to provide a focused improvement plan.</p>	<p>John Armstrong, Assistant Director Corporate Governance</p>	<p>Ongoing improvements will be made throughout 2019/20</p>
<p>New Council and Senior Management</p> <p>During the last 6 months the council has appointed a new Chief Executive and made some significant changes to the senior management structure, including recruitment of two additional senior managers who will focus on the growth of the district. Alongside this, the 2019 local elections have now concluded, resulting in a number of new members joining the Council and three experienced Committee Chairpersons having stood down on not regained their seats.</p> <p>There is a robust Member Induction programme in place which includes a range of both mandatory and advisory training sessions. All members are encouraged to take up as much training as possible, and take up of mandatory training is monitored. Reserved</p>	<p>Strategic and Corporate Management Teams</p>	<p>Member Induction Programme – 7 May – 4 June 2019</p>

Members' Days are also timetabled in, where awareness raising and development sessions are offered to all members.

A new Corporate Strategy and Corporate Plan will be put in place this summer in order to renew and reset the Vision and the priorities for the district and the organisation in order to provide a strong steer to members and senior managers.

A voluntary Peer Review has been arranged in order to invite a critical friend review of key aspects of the organisation and its future plans, through discussion with Members and managers.

Corporate Strategy
renewal-Summer 2019

June 2019

5.1 We propose over the coming year to address and/or monitor the above matters to further enhance our governance arrangements and the understanding of those arrangements where there is any change. We are satisfied this will address the need for improvements that were identified in our review of effectiveness, or manage any significant change, and will monitor their implementations and operation as part of our annual review.



Rob Barlow, Chief Executive



Craig Leyland

GLOSSARY OF TERMS

Accounting Period

This is the period of time covered by the accounts, normally twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

Accruals Basis

The accruals principle is that income is recorded when it is earned rather than when it is received and expenses are recorded when goods and services are received rather than when the payment is made.

Actuarial Gains and Losses

Actuaries assess financial and non-financial information by the Council to project levels of future pension fund requirements. Changes in actuarial deficits or surpluses can arise leading to a loss or gain because:

- events have not coincided with the actuarial assumptions made for the last valuation
- the actuarial assumptions have changed

Appointed Auditors

Public Sector Audit Appointments Limited (PSAA) appoints external auditors to every Local Authority from one of the major firms of registered auditors. For East Lindsey this is Mazars.

Balance Sheet

This is a statement of the recorded assets, liabilities and other balances held at the end of the accounting period.

Balances

The balances of the Council represent the accumulated surplus of income over expenditure on any of the funds.

Capital Adjustment Account

The Account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (e.g. Disabled Facilities Grants). The balance on this account thus represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Expenditure

This is expenditure on the acquisition of a non-current asset (fixed asset), or expenditure, which adds to, and not merely maintains, the value of an existing non-current asset.

Capital Receipts

Income received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

Carrying Amount

The Balance Sheet value recorded of either an asset or a liability.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the financial year.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the leading professional accountancy body for public services

Collection Fund

A fund administered by the Council showing the transactions of the billing authority (East Lindsey) in relation to the collection from taxpayers and the distribution to local authorities and the Government of council tax and non-domestic rates.

Community Assets

These are non-current assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

Contingent Liabilities or Assets

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately and for which, provision has not been made in the Council's accounts.

Council Tax

This is one of the main sources of local taxation to local authorities. Council Tax is levied on households within its area by the Billing Authority (East Lindsey) and the proceeds are paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.

Council Tax Requirement

This is the estimated revenue expenditure on General Fund services that is required to be financed from Council Tax after deducting income from fees and charges, certain specific grants and any funding from reserves.

Creditors

Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the balance sheet date.

Current Service Cost

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

Curtailement

Curtailements will allow the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year

Debtors

These are sums of money due to the Council that have not been received at the balance sheet date.

Deferred Capital Receipts

These represent capital income still to be received after disposals have taken place.

Defined benefit Scheme

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Ministry of Communities and Local Government (CLG)

The CLG is a key Department within Central Government with the overriding responsibility for determining the allocation of general resources to local authorities.

Depreciation

This is the measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed (non-current) asset.

Earmarked Reserves

The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

Equity method

A method of accounting by which an equity investment is initially recorded at cost and subsequently adjusted to reflect the investor's share of the net assets of the Joint Operation.

Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Accounts are authorised for issue.

Exceptional Items

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

External Audit

The independent examination of the Council's activities and accounts to ensure that the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure value for money in its use of resources.

Expenditure

This is amounts paid by the Council for goods and services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment since expenditure is deemed to have been incurred once the goods or services have been received even if they have not been paid for.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Finance Lease

A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes Investments, trade receivables and trade payables.

Future Economic Benefits

The potential for an asset to contribute to the flow of cash and cash equivalents of the Authority.

General Fund

This is the main revenue fund of the Council and includes the net cost of all services financed by local taxpayers and Government Grants.

Heritage Assets

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Impairment

A reduction in the value of a fixed asset to below its carrying amount on the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

Income

These are amounts due to the Council for goods supplied or services rendered of either a capital or a revenue nature. This does not necessarily involve a cash payment. Income is deemed to have been earned once the goods or the services have been supplied even if the payment hasn't been received (in which case the recipient is a debtor to the Council).

Infrastructure Assets

Fixed assets belonging to the Council that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

Intangible Assets

These are assets that do not have physical substance but are identifiable and controlled by the Council. Examples include Software Licenses.

International Financial Reporting Standards

These are defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of other entities.

Joint Arrangement

An arrangement of which two or more parties have joint control.

Joint Operation

A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Liabilities

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current Liabilities are usually payable within one year of the Balance Sheet date.

Materiality

The concept that the Accounts should include all amounts which, if omitted or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

National Non-Domestic Rates (Business Rates)

This is one of the main sources of local taxation to local authorities. NNDR is the levy on business property, based on a national rate in the pound applied to the rateable value of the property.

Net Book Value (NBV)

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

Net Debt

Net debt is the Council's borrowings less cash and liquid resources.

Net Realisable Value (NRV)

NRV is the 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-Current Assets (Fixed Assets)

Assets that yield benefits to the Council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

Non-Operational Assets

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

Operational Assets

Fixed assets held and occupied, used or consumed by the Council in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Operational Boundary

This reflects the maximum anticipated level of external debt consistent with budgets and forecast cash flows.

Operating Lease

This is a type of lease usually for computer equipment or office furniture and equipment where the balance of risks and rewards of holding assets remains with the lessor. The assets remain the property of the lessor and the lease costs are revenue expenditure to the Council.

Precept

The amount levied by various Authorities that is collected by the Council on their behalf. The precepting authorities in East Lindsey are Lincolnshire County Council and the Police and Crime Commissioner for Lincolnshire.

Prior Year Adjustment

These are material adjustments which are applicable to an earlier accounting period arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provision

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

Related Parties

Related parties are Central Government, other Local Councils, precepting and levying bodies, subsidiary and associated companies. Related parties are deemed to include the Council's elected members, the Chief Executive and its directors. For individuals identified as related parties, the following are also presumed to be related parties:-

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual or member of their close family or the same household has a controlling interest.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expense allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received. Pension contributions payable by the employer are excluded.

Reserves

The accumulation of surpluses, deficits and appropriations arising from previous financial years. Reserves can either be usable; that is, available to meet the Council's future expenditure plans and unusable; that is, those maintained purely for accounting purposes.

Revaluation Reserve

The Reserve records the accumulated gains on the fixed assets held by the Council arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

Revenue Expenditure

Expenditure incurred on the day-to-day running of the Council. This mainly includes employee costs, general running expenses and capital financing costs.

Revenue Expenditure Funded From Capital under Statute (REFCUS)

Expenditure incurred in year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the Comprehensive Income and Expenditure Statement.

Revenue Support Grant

A grant paid by Central Government towards the cost of providing General Fund services.

Service Potential

Future benefits that an asset is expected to bring to the Council.

Treasury Management

This is the process by which the Council controls its cash flow and its borrowing and lending activities.

Treasury Management Strategy

A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.