

**NORTH LINCOLNSHIRE COUNCIL**

**AUDIT COMMITTEE**

**STATEMENT OF ACCOUNTS 2009/10**

**1. OBJECT AND KEY POINTS IN THIS REPORT**

- 1.1 To present the 2009-10 statement of accounts for North Lincolnshire Council for consideration and approval.

**2. BACKGROUND INFORMATION**

- 2.1 The Accounts and Audit Regulations require the Council to publish a statement of accounts each financial year. These accounts are the formal statement of the Council's financial performance for the year and its financial position at the end of that period. A financial year runs from April to March.
- 2.2 These accounts have to be considered and approved by this committee by 30 June. They must then be audited and published within six months of the financial year-end that is by 30 September.
- 2.3 The Statement of Recommended Accounting Practice (SORP) requires each local authority to adopt accounting policies that set principles for recording financial transactions in the Council's accounts. The audit committee approved these policies at its meeting on 13 April 2010.
- 2.4 Members' approval is now sought to the accounts for 2009/10 which have been prepared on the basis of the policies approved in April. In this context approval has a different meaning to that implied in other resolutions requiring approval by members. The Responsible Financial Officer - the Service Director Finance – is responsible for the preparation of the accounts. Members' role is to demonstrate their ownership of the accounting statements, as well as their confidence in the Responsible Financial Officer and the process by which the accounting records are maintained and the statements prepared.
- 2.5 This report to the Audit Committee offers members an opportunity to question the Responsible Financial Officer. Approval should be given when members have achieved a broad understanding of the accounts, are confident that they are consistent with other financial information

they have received, and are happy with answers given by the Responsible Financial Officer.

2.6 The full statement of accounts is attached at Appendix A. it is made up of a number of elements:

- The Foreword considers some key aspects of the Council's financial performance in 2009-10 and its position at the end of the year and draws out some of the main features of the accounting statements. It incorporates the details reported to Cabinet on 9 June.
- The Statement of Accounting Policies then follows and a statement of the responsibilities of the Council and the Responsible Financial Officer.
- The Annual Governance Statement confirms that proper arrangements for the governance of the affairs of the council are in place
- A number of statutory accounts then follow with supporting notes.

2.7 The key statements are:

- An income and expenditure account
- A movement on the general fund balance statement
- A statement of total recognised gains and losses
- A balance sheet
- A cash flow statement
- A collection fund statement

2.8 The External Auditors made four recommendations relating to the accounts last year these have all been completed.

2.9 Assurance about the effectiveness of the councils processes and governance which underlies these accounts can be gained from the Annual Governance Statement which does not highlight any significant issues with the council's control environment and also other reports on this agenda such as the Internal Audit Annual Report.

2.10 The external auditors will issue an audit report on the accounts in due course and the contents of this will be reported back to members on 28 September. The auditors will then provide an opinion on the accounts as a fair representation of the Council's performance for 2009/10 and its position at the end of the year.

2.11 Members are encouraged to ask questions on the accounts to meet their responsibilities detailed at paragraphs 2.4 and 2.5.

### **3. OPTIONS FOR CONSIDERATION**

3.1 Options are limited in this type of report. The Audit Committee are invited to consider the Statement of Accounts and seek clarification on its contents as necessary.

**4. ANALYSIS OF OPTIONS**

4.1 The accounts comply with relevant statutory and accounting guidance and present the council's overall financial position in the required manner.

**5. RESOURCE IMPLICATIONS**

5.1 The accounts present the council's financial position as at 31 March 2010. There are no other resource implications.

**6. OTHER IMPLICATIONS**

6.1 The Accounts and Audit Regulations 2003 (England) require that each authority prepare and approve its accounts by 30 June and publish them by 30 September. The format and content of the accounts is also governed by the Statement of Recommended Practice issued by CIPFA.

**7. OUTCOMES OF CONSULTATION**

7.1 None

**8. RECOMMENDATIONS**

8.1 That the statement of accounts for 2009/10 be received and considered for approval.

SERVICE DIRECTOR FINANCE

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Date: 09/06/10

**Background Papers used in the preparation of this report**

Statement of Accounts 2009/10 (Attached at Appendix 1)



# North Lincolnshire Council Statement of Accounts 2009/10



Authorised for Release

22/06/2010

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Cover picture:-

Top Left	Normanby Hall
Top Right	Brigg
Bottom Left	Progress on the Pods (June 2010)
Bottom Right	Corus Plant - Scunthorpe

# Foreword




## Purpose

The purpose of this foreword is to offer interested parties an easily understandable guide to the most significant matters reported in the accounts. For the non-specialist this is the best starting point to interpret the document.

An annual statement of accounts is a legal requirement for all councils. The form in which the accounts are presented is also standard for all councils.

It provides a regular report on how the council has spent public money and on the state of its current finances. As such it is intended to provide accountability to electors, local taxpayers and service users, the members of the authority and any other interested parties.



The Foreword does three things:

-  It explains the main features of the council's financial performance in 2009/10.
-  It explains how the statement of accounts is structured and the significance of each part.
-  It gives a range of other details in respect of the council's financial plans and activities.

## Financial Performance 2009/10

Despite another difficult financial year the council's financial performance was positive. The main features were presented to cabinet on 9 June 2010 and these are explained in the following paragraphs.

The council manages its spending on services within a statutory framework and makes sure spending is within cash-limited budgets:

-  General Fund services are paid for from government grant, council tax and service charges. This is revenue spending.
-  Investment in long-term assets such as roads and buildings are paid for from borrowing, external finance, capital receipts from the sale of council assets, and revenue. This is the capital programme.


## REVENUE

### Net service expenditure




General Fund expenditure is shown service by service in the table below, together with the impact on reserves.

Overall there is a service under-spend of £1.05m. This is a similar saving to the forecast and includes a one off refund of VAT of £1.686m.

The main differences on core council services are:

-  Central budgets, savings of £1m. Sums set aside for forecast increases in pay and fuel costs were not needed; there were further savings from deferred borrowing



-  Corporate budget. Following the final insurance settlement for Pittwood House flood damage, £340k costs previously written off were recovered
-  A range of smaller savings in other service areas largely generated by vacancy savings or additional income
-  Overspends in Neighbourhood Services (£547k), the Property Trading Account (£162k) and Community Planning and Resources (£117k).

Two elements of general fund expenditure are managed as ring-fenced funds: the property trading account and the building control account. Both funds have again drawn on their earmarked reserves to cover cost pressures and income shortfalls due to the recession, £0.57m and £0.42m respectively. The Property Trading Account reserve has now been exhausted and in addition the budgeted position was an over-spend of £162k.

General funds of £0.58m carried forward from 2008/09 have also been used.

### **Dedicated Schools Grant (DSG)**

Within the General Fund schools manage their own budgets under the Education Reform Act 1988 and are able to carry forward surpluses from year to year in earmarked reserves. Dedicated schools grant is the main source of funding, supplemented by other school specific grants, and balances which schools have set aside in previous years. Total school spending is more than the grant allocation for 2009/10 and schools have drawn £0.636m from balances to support expenditure.

Dedicated Schools Grant is ring-fenced to schools and to a range of education related support services. An over-spend of £207k on special educational needs was carried forward to be the first call on DSG in 2009/10. At the end of 2009/10 the over-spend was reduced to £9k.



### **Pooled budgets**

The council pools its spending on learning disability and mental health services with the Primary Care Trust (PCT). The pools are reporting an under-spend of £0.2m and are requesting the full amount is carried forward.

Service	Approved Budget	Actual	Difference	
	£000's	£000's	£000's	%
Adult Social Care	27,955	27,914	-41	-0.1
Asset Management & Culture	8,572	8,598	26	0.3
Central Budgets (Capital Financing & Contingency)	13,496	12,441	-1,055	-7.8
Children & Young Peoples Service	29,351	29,284	-67	-0.2
Community, Planning & Resources	6,442	6,559	117	1.8
Corporate Budgets	7,728	7,371	-357	-4.6
Finance	4,252	3,995	-257	-6.0
Highways and Planning	9,435	9,337	-98	-1.0
Human Resources	1,930	1,829	-101	-5.2
Legal and Democratic Services	2,848	2,878	30	1.0
Neighbourhood & Environmental	17,237	17,783	547	3.2
<u>Commercial Units</u>				
Building Control	0	42	42	0.0
Property Trading Account	-1,217	-1,055	162	-13.3
<b>Net Service Expenditure</b>	<b>128,029</b>	<b>126,976</b>	<b>-1,053</b>	<b>-0.8</b>
Schools Block	108,240	108,885	645	0.6
Dedicated Schools Grant & Other Grant Funding	-108,240	-108,249	-9	0.0
Adult Service Pooled Budgets	7,324	7,120	-204	-2.8
<b>Total Cost</b>	<b>135,353</b>	<b>134,732</b>	<b>-621</b>	<b>-0.5</b>
Revenue Support Account	-1,357	-629	728	
Property Trading Account	-573	-573	0	
Building Control Reserve	0	-42	-42	
Schools Reserves	0	-636	-636	
Scunthorpe Special Expenses Reserve	0	34	34	
2008/09 Carry Forwards	-583	-583	0	
2009/10 Carry Forwards (Proposed)	0	538	538	
<b>Reserve Transfers (to (+) From (-))</b>	<b>-2,513</b>	<b>-1,891</b>	<b>622</b>	
<b>Total General Fund</b>	<b>132,840</b>	<b>132,841</b>	<b>1</b>	
<b>Financed by</b>				
Formula grant	-59,816	-59,816	0	
Area Based Grant	-9,315	-9,316	-1	
Collection Fund Surplus	-499	-499	0	
Council Tax	-63,210	-63,210	0	
<b>Total Financing</b>	<b>-132,840</b>	<b>-132,841</b>	<b>-1</b>	
<b>Balance at year end</b>	<b>0</b>	<b>0</b>	<b>0</b>	

## Use of reserves

The table below shows the movements on reserves and the closing balance for 2009/10 and later years. It shows that in 2009/10:

-  General balances were maintained at £6.858m.
-  Schools have drawn £0.636m from balances to support expenditure in 2009/10 reducing total school reserves to £1.610m. Central support services have exceeded in year funding from Dedicated Schools Grant by £9k.
-  A net £1.1m has been set aside in the revenue account support reserve in 2009/10 taking the balance to £5.227m. This comprises two elements, £0.63m was drawn from the reserve to meet revenue costs in 2009/10 and a £1.76m VAT refund, netted down to £1.69m by the costs of making the claim to Her Majesty's Revenue and Customs has been set aside. The reserve's purpose was to meet the substantial set up- costs on the major projects Building Schools for the Future and the waste contract procurement over a period of years, although this was reviewed in the budget setting process for 2010/11 and proposed use is now the Waste Project and Worksmart investment needs.
-  The Insurance reserve has been maintained at £1m which is the level of excess the council must pay in the event of a claim on the storm and flood damage policy.
-  Funds from the building control account, property trading account and the carry forward reserve have been used. As noted above the Property Trading Account reserve is now exhausted.
-  The investment impairment reserve has been maintained to provide for potential losses arising from investments with Icelandic banks. There is still considerable uncertainty about the level of repayments from the Icelandic bank Landsbanki. Repayments have been received from Heritable bank totalling £1.23m but the final total received will vary dependant on the future value of the banks remaining assets.
-  A further £84k has been set aside in the Performance Reward Grant reserve and a further £641k has been set aside in the Minimum Revenue Provision (MRP) reserve which has been established to meet the borrowing costs of vehicles which are no longer being leased due to a change in national accounting principles.
-  The £34k surplus on the Scunthorpe Special Expenses budget has been set aside in the relevant reserve.

Cabinet has agreed that £250k will be carried forward as per the following list:-

Service	£000's
Adult Social Care	27
Children & Young People Service	16
Corporate	28
Finance	93
Highways and Planning	49
Human Resources	37
	<hr/>
	250

RESERVES	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	Closing Balance	Closing Balance	Closing Balance	Closing Balance	Closing Balance	Closing Balance
	Actual £'000	Actual £'000	Estimated £'000	Estimated £'000	Estimated £'000	Estimated £'000
<b>General Reserves</b>						
General Fund	(6,858)	(6,858)	(6,858)	(6,858)	(6,858)	(6,858)
Collection Fund-NLC element	(1,095)	(1,459)	(959)	(959)	(959)	(959)
Schools Balances	(2,246)	(1,610)	(1,410)	(1,210)	(1,010)	(810)
<b>Earmarked Reserves</b>						
Revenue account support	(4,081)	(5,224)	(5,985)	(5,580)	(5,226)	(5,030)
Insurance Reserve	(1,000)	(999)	(999)	(999)	(999)	(999)
Insurance Fund Profit/Loss	(238)	(273)	(273)	(273)	(273)	(273)
PTA Revenue Reserve	(572)	0	0	0	0	(19)
HRA Closure Reserve	(125)	(125)	(75)	(75)	(75)	(75)
Corporate Reserve	(30)	(30)	0	0	0	0
Crematorium enhancement	(37)	(29)	(1)	(3)	(5)	(7)
NLH Pumping Station	(21)	(32)	(3)	(8)	(13)	(18)
Carry Forwards	(583)	(538)	0	0	0	0
Building Control P&L	(231)	(189)	(58)	(58)	(78)	(98)
Investment Impairment	(2,853)	(2,853)	(1,619)	(1,619)	(1,619)	(1,619)
PRG Reserve	(576)	(660)	0	0	0	0
MRP Reserve	(460)	(1,101)	(1,101)	(1,101)	(1,101)	(641)
Scunthorpe Special Expenses	(6)	(40)	0	0	0	0
<b>Reserves</b>	<b>(21,012)</b>	<b>(22,020)</b>	<b>(19,341)</b>	<b>(18,743)</b>	<b>(18,216)</b>	<b>(17,406)</b>

## Capital

The programme of investment in council assets is substantial, with a range of projects to build and renew facilities; it also includes grants for community assets and home improvement. Larger schemes take more than one year to complete and the programme is kept under review during the year. There are a number of schemes where spending is over or under budget. Overall spending was £46.5m against a revised budget of £45.7m. This is shown by service in the table below.

The most significant elements of the 2009/10 programme have been:

### Investment in the area

Advance Crosby £0.8m

Rural renaissance projects (including Crowle), £2.1m

The local transport plan (road infrastructure and traffic safety) £5.3m

Drainage and flood defence work £0.8m

### Investment in children

Building schools for the future (Brumby and Melior), £11.1m

Oakfield primary amalgamation £1.9m

Children's centres £1.0m

Capital devolved to schools (various improvements) £3.1m  
Barton Youth Club refurbishment, £0.9m  
Playgrounds (Playbuilder & Adizone) £0.7m

#### Investment in communities

The Pods and central park renewal, £4.9m  
Disabled facilities grants to adapt domestic properties, £1.4m

#### Investment in operational capacity

Depot rationalisation (two schemes), £1.6m  
Planned replacement of vehicles in the council fleet, £2.4m






Some schemes have exceeded budget, others have under-spent.

The variances by scheme are shown below.

The larger overspends are: the fleet replacement programme (£899k); and remedial works at the new fleet depot on Grange Lane (£259k). There is also brought forward spending on the Pods (a net £1,990k) which does not affect the total scheme cost.

The most significant under-spends are on Building schools for the Future (£786k) and the local transport plan (£206k), where spending transfers to 2010/11.

To finance the capital programme resources have been deployed in the following order.

-  Government grant for individual schemes or programmes
-  Capital receipts from the sale of council assets
-  Deferred borrowing
-  Or in a small number of cases direct revenue funding
-  Some vehicles have been acquired under lease

This approach, approved in the council's treasury strategy, was first adopted in 2008/09. It ensures that the council minimises the extent to which it uses external borrowing to finance capital investment, £13.5m for 2009/10. In practice the borrowing is deferred and the council uses its cash flow surplus to offset costs in the first instance. This reduces the council's exposure to uncertain money markets, and provides a value for money gain equivalent to the difference between typical borrowing costs (4.5%) and the typical return available on cash investments (bank base rate 0.5%).

The opportunity has also been taken in 2009/10 to make a technical change which aligns the financing of the programme with the timing of expenditure. This means that where spending is accrued in 2009/10 -chargeable in that year but not paid by the year end- both the spend and its financing is accounted for in 2009/10.

Service	Budget	Actual	Variance	Rephased to (+) / from (-)	
	2009-10	2009-10	2009-10	2010-11	
	£000's	£000's	£000's	%	£000's
Adult Social Care	254	204	-50	-19.5	50
Asset Management & Culture	7,391	8,921	1,530	20.7	-1,521
Children & Young Peoples Service	19,818	18,802	-1,016	-5.1	1,059
Community, Planning & Resources	274	222	-52	-19.0	58
Corporate Budgets	2,548	2,344	-204	-8.0	125
Highways and Planning	8,661	8,142	-519	-6.0	525
Neighbourhood & Environmental	4,833	5,046	212	4.4	114
Sub Regional Housing Project	391	365	-26	-6.7	0
Fleet Vehicle Leasing & Purchases	1,540	2,439	899	58.3	0
<b>Total</b>	<b>45,711</b>	<b>46,485</b>	<b>774</b>	<b>1.7</b>	<b>410</b>
<b>Funding</b>					
Grants & External Funding	30,122	32,222	2,100	7.0	-468
Capital Receipts General Fund	500	1,187	687	137.4	
Capital Receipts PTA	520	1,051	531	102.1	
Supported Borrowing	6,239	6,119	-120	-1.9	296
Prudential Borrowing	7,920	7,381	-539	-6.8	582
Direct Revenue Funding	410	182	-228	-55.6	
Leasing	0	797	797	0.0	
Financing Prior Period		-2,454	-2,454	0.0	
<b>Total Funding</b>	<b>45,711</b>	<b>46,485</b>	<b>774</b>	<b>1.7</b>	<b>410</b>

## Efficiencies



For the period 2008/11 councils are required to find 10% cash-releasing value for money (VFM) gains. With regard to North Lincolnshire this equates to £15.39m over the three financial years. The Council's achievement of this target is measured using national indicator NI179 which requires councils to submit a mid-year estimate of their projected level of achievement in October and final figures in July each year. There is a requirement that the figures submitted in October are included on the council tax bill submitted to residents and outline the council's achievement of VFM gains against its required target.

In 2008/09 the Council achieved eligible VFM efficiency gains of £2.54m, £1.9m below the 3% target. The Council's target for 2009-10 would require cumulative sustained efficiency gains of £9.07m to be achieved by 31st March 2010. Including efficiency gains committed to by services as part of the 2009/10 budget process, £5.12m of cumulative VFM gains were identified at the mid-year point. This represented a shortfall of £3.95m against the required target.

The latest forecast position is outlined in the table below. Currently services are forecasting cumulative efficiency savings of £8.06m. This is an increase of £3.65m from the position

reported in September and an increase of £2.9m from the position reported to council tax payers and Government Office.

The main service increases have been achieved on;

-  Children & Young Peoples Service (£1.1m)
-  Neighbourhood & Environment Services (£840k)

<b>Efficiencies Monitor 2008-10</b>			
<b>Service Area</b>	<b>Budgeted Cumulative Efficiencies 2008-11</b>	<b>Forecast Cumulative VFM Gains 2008-10 Outturn</b>	<b>Variance Against Budgeted Efficiencies (minus = underachieved)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Adult Social Care	1,127	1,476	349
Asset Management & Culture	572	178	-394
Children & Young People	929	2,042	1,113
Community Planning & Resources	533	546	13
Corporate Budgets	93	92	-1
Finance	331	503	172
Highways & Planning	590	896	306
Human Resources	53	69	16
Legal & Democratic	4	4	0
Neighbourhood & Environment	467	1,307	840
General Cross Cutting Efficiencies	423	949	526
<b>Total</b>	<b>5,122</b>	<b>8,062</b>	<b>2,940</b>
<b>Target</b>	<b>9,069</b>	<b>9,069</b>	
<b>Gap</b>	<b>-3,947</b>	<b>-1,007</b>	

### **Future Developments**

The council is undertaking a number of large capital schemes over the next few years. These include the Building Schools for the Future programme, the Baths Hall, the Pods and Central Park rejuvenation, a new Primary School at Lakeside, enhancements to Messingham Primary and further works on the Scunthorpe Ridgeway.

As part of the drive for further efficiencies the council already collaborates with other councils to deliver a range of services. Consideration is being given to expanding the range of services covered.

### **Treasury Management**

In 2009/10 the average balance invested was £50m with a range of UK banks, building societies, local authorities and the government's Debt Management Office. The investments were short-term only (from overnight up to 3 months fixed). The council made 250 separate investments totalling £440m. These investments generated an average return of 0.61% for the year compared to a target of average base plus 0.1% i.e. 0.6%. The 2009/10 closing balance was £31.441m which is an increase on the starting balance of £26.083m.

### **Capital Financing      Borrowing**

The council is only allowed to borrow to finance spending on capital schemes. In 2009/10 the overall capital spending was £46.5m against a revised budget of £45.7m. Debt financing costs are 5.21% of revenue stream which is within the council's guideline of 6%, in part due to the decision to defer new borrowing. Total debt is within the authorised and operational boundaries set in the strategy and the maturity profile of debt also within the limits set.

The decision to defer new borrowing for capital purposes continues the practice started in 2008/09. This avoids the short-term cost of paying the differential between the rates at which we can borrow (c 4.5%) and rate of return on our investment (c 0.5%). It makes temporary use of cash balances which would otherwise be exposed to potential loss in volatile financial markets. To date £19.8m of borrowing has been deferred. The strategy will be followed as long as it is prudent to do so, while cash reserves are sufficient. Borrowing to fund the capital programme is still required, but is simply deferred until more favourable conditions return.

### **Capital Financing      Other**

Borrowing is only part of the funding for the future capital programme which will also draw on capital receipts, grants, external contribution, leasing and revenue.

Capital Receipts-Projections have been made of capital receipts that the council could achieve from the sale of land and property. These are potentially large sums, but are not without risk. Market and general economic conditions, planning requirements and a change in council needs can all affect the value or viability of asset sales. These are sometimes costs to be incurred to make an asset sale feasible.

Grants and contributions-External funding has been included in financial plans where this is certain or can be estimated.

Leasing-Changes to accounting for leases has meant they are now less attractive as a method of financing and so most vehicles are now purchased.

Revenue-The council has a policy of financing very little of the capital programme from revenue.

### **Asset Valuations**

Each year the council's valuers revalue part of its asset portfolio. As a result council assets increased in value by £2.3m to £460.6m.

### **Pensions**

The council's liability relating to the East Riding Pensions Fund has increased in 2009/10. It now stands at £322.9m, up from £161.4m in 2008/09. This is mainly due to the Actuarial assumptions being used. This increase has resulted in the council having a negative net worth. The accounts have still been created on a going concern basis as pension liabilities will be funded as they fall due through a combination of employee and employer contributions, government grants and council tax. Without the entries for the pension liabilities and reserve, the council would have a positive net worth of £280.4m.



## **Future Prospects**

The previous government reaffirmed its grant allocations for 2010/11 enabling the council to set a net budget of £141.5m, consistent with its previously approved 3 year financial plan. At the time of setting the 2010/11 budget there was significant uncertainty surrounding the prospects for 2011/12 and beyond, due to the national elections in May and potential public expenditure reductions that were likely to follow. The council used the CIPFA/SOLACE report 'Beyond the Downturn' to inform its budget setting: that set out two likely scenarios for future grant settlements, either a cash standstill in grant giving a 7.5% real terms reduction in resources over a three year period, or a 3% reduction per annum giving a 15% real terms reduction. The council chose the first of these, and also made additions to balances to set aside resources for future use and to pump prime efficiency initiatives such as the transformational 'Worksmart' project. This led to net budgets being approved of £142.9m in 2011/12 and £145.1m in 2012/13. The council tax increase is 2.9% in 2010/11 with an indicative rise of 3% given for the next two years. This budget was designed to make reasonable provision for the effects of the recession, while still allowing major projects such as the Pods, Baths Hall and Building Schools for the Future to proceed.





As this Foreword is written the new government have announced public expenditure reductions of £6.2bn in 2010/11, an emergency budget on 22 June and a public spending review in the autumn, to make public expenditure reductions to deal with the overall deficit situation. The impact on this council of the in year reductions is around £3m and consideration is currently being given to how to address this issue. The position from 2011/12 onwards is not yet clear, so significant uncertainty remains around the future financial prospects.

General balances have remained at £6.9m while the Revenue Account Support Reserve has risen to £5.2m due to the under-spend noted above. The budget decision determined that this reserve would be used to support the Waste procurement one off costs, and the investment needs of the 'Worksmart' project. While this is a further strengthening of the council's balances, my judgement is that, taking account of the council's risk management strategy, the assessment of risks made for the budget setting in February 2010 and the uncertain future financial prospects, balances of this order provide the minimum level sufficient for the council's needs.

## **The Structure of the Statement of Accounts**

The accounts which follow are prescribed by the Statement of Recommended Practice (SORP). It determines the appropriate principles and practices to be followed when preparing a set of accounts. It also specifies how the information should be presented.

The main parts are:

-  An explanation of the accounting policies used
-  A statement of responsibilities for the accounts
-  The accounting statements
-  Notes which give more explanation of figures in the statements


In the following paragraphs, the purpose of each part of the accounts is explained and comments are included on each of the statements.

### **Accounting Policies**

This section explains how the figures have been compiled. It provides a basis for judging that the Statement 'presents fairly' the council's financial position and performance. The policies were formally approved by the Audit Committee on 13<sup>th</sup> April 2010.




### **Accounting Policy Changes**

Due to the imminent introduction of International Financial Reporting Standards very few changes were required in this financial year. The main change is as follows.

-  Changes have been made to the requirements for accounting for the Collection Fund. The council now only accounts for its own elements of the fund and all other transactions are recognised as a debtor or creditor with the National Pool or precepting bodies as appropriate.

### **Statement of Responsibilities**

This makes clear who is responsible for what:

-  The council must make sure it has proper arrangements for managing its financial affairs; to deliver value for money and safeguard its assets; and must approve the accounts.
-  It discharges these responsibilities by appointing a Chief Financial Officer (the Service Director Finance) to keep proper accounting records, to follow proper accounting practice and to prepare the accounts.
-  The Council's Audit Committee has delegated authority to approve the accounts.

In addition there is a Governance Statement signed by the Chief Executive and the Leader of the council. This gives assurance that the organisation has proper systems of governance in place.

After the accounts are approved they are audited by independent auditors to give the reader further assurance. The final version of the accounts will include a statement from the auditors on the fairness of the accounts.

## The Accounting Statements





These are the heart of the document. The form of most of these statements is basically unchanged from 2009/10. The process of aligning the accounts of public bodies with International Financial Reporting Standards (IFRS) is on-going. Significant changes will take place in the council's 2010/11 accounts when IFRS applies in full.

### Income and Expenditure Account




Just as the profit and loss statement is a measure of operating performance for companies, so the income and expenditure account is intended to be a measure of the performance of the council. For a council, that performance does not mean profit or loss but whether it has contained its spending within the resources allocated for the year; and whether there is a surplus or deficit at the year end. The income and expenditure account, however, gives an incomplete answer to this question and the Statement of Movement on the General Fund Balance is therefore required to complete the picture.

In summary, the income and expenditure account shows the cost of all council activities in the year and how they have been paid for from grant, council tax and other income. The presentation is different to that used for cabinet (see the section Financial Performance 2009/10 on starting on page 4), which reports spending according to the council's own management and service structure.

In the Income and Expenditure Account the *net cost of services* includes

-  General Fund services
-  A charge for the use each service makes of council assets (depreciation)
-  An adjustment for pension costs, and
-  Services are grouped in standard categories (e.g. children's services and education are shown as one figure; costs of support services like Finance, Human Resources and Information Technology are shared between 'front-line' services and so do not appear)

More adjustments then follow to derive *net operating expenditure*



-  Parish precepts are included as council spending (but not fire and police)
-  Trading undertakings and other levies are shown separately from service spending
-  Some adjustments are made to reverse pension and capital costs in the first part of the statement and to add other capital items

### Statement of Movement on the General Fund Balance



This statement explains how the performance shown in the income and expenditure account affects the General Fund balance. The statement derives the surplus or deficit on general fund which the council must use for budget setting. The general fund surplus tells the council what funds it has in reserve.

Some of the items charged to an Income and Expenditure account are different to those charged by law to a general fund. The main changes required are:


Take out

-  Items defined as revenue by the SORP but capital by statute
-  The loss or gain on the sale of fixed assets

Replace

-  Depreciation with the statutory provision for the repayment of debt
-  Pension costs calculated by the SORP with the calculation required by pension scheme calculations

Add in





-  Transfers to and from reserves

The result is to show how far general balances have increased or decreased in the year (a decrease of £636k); and how much of this is ring-fenced to schools (£636k decrease) and how much is available for general use (zero movement). This position is important for judging the council's performance and financial stability. It is the same position reported to cabinet in June 2010.

### **Statement of Total Recognised Gains and Losses (STRGL)**

The income and expenditure account shows gains (income) or losses (expenditure) as a result of the council's operational activity during 2009/10. It shows an operating deficit for the year. The STRGL takes a wider view and presents the total movement on the balance sheet between the start and the end of the year.

It therefore adds:




-  The operating deficit for the year (£62.3m from the income and expenditure account which is £48.1m more than the £14.2m deficit in 2008/09 due mainly to reductions in property valuations below the assets historic cost which have to be recognised in the income and expenditure account.)
-  An increase in council assets following revaluation of £32.7m (£27.2m prior year). The net position on assets is only a £2.3m increase due to the losses recognised in the operating deficit.
-  An increase in the estimated pension fund deficit, because the actuary has revised his assumptions of future movements in the pension fund (£159m increase, compared to an increase of £54.2m in 2008/09)
-  No other entries were required in 2009/10 as changes to accounting practice made them unnecessary (£0.05m loss prior year).


The overall movement on the balance sheet is a decrease in net assets of £188.8m.

### **The Balance Sheet**

This shows the council's financial position at the year end. It shows the value of its assets (buildings, investments, cash); and the value of its liabilities (what it owes, such as long-term debt or payments due to creditors). Generally the value of an organisation's assets should be greater than its liabilities. The difference is equivalent to the total of its reserves.

Some of the key changes between opening and closing balances are:

-  Fixed assets. An increase in the value of operational assets of £2.3m
-  Current Assets. Surplus funds invested increased from £24.9m to £30.2m, outstanding payments due from debtors and cash balances increased
-  Long-term Liabilities. Long-term borrowing decreased to £116.2m as debt was repaid and there was no new borrowing. The pension liability rose to £322.9m as the actuary revised his assumptions underlying the forecast of the pension fund deficit.

 Reserves. In total this is the difference between council assets and liabilities, the 'net worth' of the organisation. Each has a particular purpose: the Restatement Reserve measures any revaluation of council assets since their acquisition; the pension reserve measures the deficit in future funding; other reserves are set aside for particular purposes (see note 30 to the accounts).

The council now has a negative net worth. In a private sector organisation this would be a worrying indication. However due to the way that pension liabilities will be funded it is not significant for the council at this point.

### **The Cash flow Statement**

This statement is a summary of all the different kinds of cash flow to and from the council during the period. For these accounts the method of preparation has continued to be on the indirect method, introduced last year. This means that only a summary is provided of revenue cash flows. Ultimately, it explains the change in the cash balance on the balance sheet.

Cash flow is an important measure of the health of a business. As a tax-raising body with more certainty of income the council is less likely to get into cash flow difficulties. The statement confirms what the balance sheet shows: that the council's cash and short-term investments (liquid resources) were in a healthy position at 31 March 2010.

### **The Collection Fund**

As a billing authority, the council is responsible for collecting council tax and business rates in its area. The statement shows the amount in business rates collected and paid over to the government and the amount in council tax collected and paid over to precepting bodies (Police, Fire and Parishes) and to itself.

The account has generated a surplus in 2008/09 of £0.6m, giving a balance of £1.3m to be carried forward. This surplus is shared with the major precepting bodies - police and fire authorities - and a proportion has been applied to reduce the council tax bills for 2010/11. In 2009/10 the accounting requirements for the collection fund has changed. The fund is now accounted for on an Agency basis. The council now only accounts for its own share of the surplus or deficit on the fund. All other transactions are accounted for as a net debtor or creditor for the precepting body.

### **Conclusion**

2009/10 has been another difficult year for the council. The continuing recession and the worst winter for many years have both placed intense pressure on council services. Despite these pressures the council has achieved a modest under-spend of £1.0m and a small over-spend on the capital programme of £0.8m. Importantly the council's general balances have been maintained at the same level as 2008/09 and the Revenue Account Support Reserve has been increased. These balances provide the council with improved financial resilience when managing the major challenges to come.

Mike Wedgewood  
Service Director Finance






# Statement of Accounting Policies

## 1. General Principles

The Statement of Accounts summarises the council's transactions for the 2009/10 financial year and its position at the year-end of 31 March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

## 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:

-  Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services.
-  Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as stocks on the Balance Sheet.
-  Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
-  Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
-  Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

In respect of both capital and revenue transactions, the Council operates on the normal accruals concept of income and expenditure, thus all known sums, above the Council's de minimis threshold of £2,000, due to and from the Council at 31st March each year are included in the year end accounts.

## 3. Provisions

Provisions are made where an event has taken place that gives the council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

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

#### **4. Reserves**

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.



Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and that do not represent usable resources for the council – these reserves are explained in the relevant policies below.

#### **5. Government Grants and Contributions (Revenue)**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

#### **6. Retirement Benefits**

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





-  The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF).
-  The Local Government Pensions Scheme, administered by East Riding of Yorkshire Council.

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

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the education service revenue account is charged with the employer's contributions payable to teachers' pensions in the year.

## The Local Government Pension Scheme

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

-  The liabilities of the East Riding of Yorkshire pension scheme 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 determined by the Funds' Actuary.
-  The assets of the East Riding pension fund attributable to the council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.
-  • The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as result of years of service earned this year allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account
  - expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account
  - gains/losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees
  - debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions
  - debited to the Statement of Total Recognised Gains and Losses
  - contributions paid to the East Riding of Yorkshire pension fund – cash paid as employer's contributions to the pension fund.



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 in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations 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 any amounts payable to the fund but unpaid at the year-end.

The Annual Report and Accounts of the East Riding Pension Fund can be obtained from:

East Riding Pension Fund  
Pensions Section  
PO Box 118  
Council Offices  
Church Street  
GOOLE  
DN14 5YU

Or visit their website <http://www.eastriding.gov.uk> and select pensions from the A-Z of services.

### **Discretionary Benefits**



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

## **7. VAT**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

## **8. Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

-  Corporate and Democratic Core – costs relating to the council's status as a multi-functional, democratic organisation.
-  Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

## 9. Intangible Fixed Assets








Expenditure on assets that do not have physical substance but are identifiable and controlled by the council (e.g. software licences) is capitalised when it will bring benefits to the council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

## 10. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

**Recognition:** expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.


**Measurement:** assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:


-  investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
-  dwellings, other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use
-  infrastructure assets and community assets – depreciated historical cost.
-  Net current replacement cost is assessed as:
  -  non-specialised operational properties – existing use value
  -  specialised operational properties – depreciated replacement cost
  -  investment properties and surplus assets – market value.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, 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 Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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:** the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

-  where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account

-  otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.






**Disposals:** when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account 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 in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to repaid Right to Buy Discounts is payable to the Government. The balance of receipts is required to be credited to 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 (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

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 Statement of Movement on the General Fund Balance.

**Depreciation:** depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

The calculation uses the straight-line method based on the following assets:

-  buildings – straight-line allocation over the life of the property as estimated by the valuer.
-  vehicles, plant and equipment – straight line over the life of the asset as estimated by an appropriate officer
-  infrastructure – straight-line allocation over the life of the asset.  
The remaining useful life of these assets is reviewed annually.
-  No depreciation is provided on land, community assets, non-operational investment property assets and assets in course of construction.
-  No depreciation is provided on any asset in the year of acquisition.

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.




**Grants:** where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to balance depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

#### **10a Deduction of sale expenses incurred from capital receipts**

The council has a locally determined policy to deduct the incidental costs incurred on the sale of fixed assets from the capital receipt. This policy has allowed the council to fund a small team which takes a proactive role in the management of the council's property portfolio, identifying and marketing surplus assets. The work of this team is accounted for on an accrual basis. The accrual is reduced based on the likelihood of the sale of each asset.

### **11. Charges to Revenue for Fixed Assets**

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

-  depreciation attributable to the assets used by the relevant service
-  impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
-  amortisation of intangible fixed assets attributable to the service.

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



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

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

## 13. Leases

### Finance Leases

The council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the council. Rentals payable are apportioned between:

-  a charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable), and
-  a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

### Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

## 14. Financial Liabilities



Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

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

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

## 15. Financial Assets

Financial assets are classified into two types:

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

### Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

However, where the council makes loans at less than market rates these are known as soft loans. When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.



Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.


Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

### Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g., dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

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

 equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

#### **16. Stocks and Work in Progress**

Stocks are included in the Balance Sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

The Council has set a de minimis level of £10k for stock.

#### **17. Interests in Companies and Other Entities**

The council has no material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and is not required to prepare group accounts. In the council's own single-entity accounts, the interests have been accounted for as simple investments.

#### **18. Revenue Expenditure funded from Capital under Statute**

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's council tax. These items are generally grants and expenditure on property not owned by the authority, and amounts directed under section 16(2) of Part 1 of the Local Government Act 2003. Such expenditure should be charged to the Income and Expenditure Account in accordance with the general provisions of the SORP. Any statutory provision that allows capital resources to meet the expenditure should be accounted for by debiting the Capital Adjustment Account and crediting the General Fund Balance and showing as a reconciling item in the Statement of Movement on the General Fund Balance.

#### **19. Contingent Assets**

Contingent assets are not recognised in the accounting statements; they are disclosed by way of notes if the inflow of a receipt or economic benefit is probable.

## **20. Contingent Liabilities**

Contingent liabilities are not recognised in the accounting statements; they are disclosed by way of notes if there is a possible obligation which may require a payment or a transfer of economic benefits.

## **21. Discontinued Operations**

Income and expenditure directly related to discontinued operations is shown separately on the face of the Income and Expenditure Account under the heading of discontinued operations or within the Trading Undertakings entry, where appropriate.

## **22. Exceptional Items, Extraordinary Items and Prior Period Adjustments**

Exceptional items should be included in the cost of the service to which they relate or on the face of the Income and Expenditure Account if that degree of prominence is necessary in order to give a fair presentation of the accounts. An adequate description of each exceptional item should be given within the notes to the accounts. The costs of any fundamental reorganisation or restructuring which has a material effect on the nature and focus of the authority's operations should be shown separately on the face of the Income and Expenditure Account.

Extraordinary items should be disclosed and described on the face of the Income and Expenditure Account after dealing with all items within the ordinary activities of the authority and should be explained fully in a note to the accounting statements.

The majority of prior period items arise from corrections and adjustments that are the natural result of estimates inherent in the accounting process. Such adjustments constitute normal transactions for the year in which they are identified, and should be accounted for accordingly. Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors should be accounted for by restating the comparative figures for the preceding period in the Statement of Accounts and notes and adjusting the opening balance of reserves for the cumulative effect. The cumulative effect of the adjustments should also be noted at the foot of the Statement of Total Recognised Gains and Losses of the current period. The effect of prior period adjustments on the outturn for the preceding period should be disclosed where practicable.

## **23. Landfill Allowance Trading Scheme (LATS)**

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities (WDAs) in England, Scotland, Wales and Northern Ireland to reduce the amount of biodegradable municipal waste (BMW) disposed to landfill. It also provides the legal framework for the Landfill Allowance Trading Scheme, which commenced operation on 1 April 2005 in England

The Landfill Allowance Trading Scheme, which has operated in England since 1 April 2005, like certain emission rights schemes, is a 'cap and trade' scheme, which allocates tradable landfill allowances to each WDA in England up to the amount of the WDA's 'cap'.

There is at present no UK FRS or UITF Abstract covering the cap and trade schemes. However, a proposed UITF Abstract on Emission Rights (Information Sheet No. 61) was issued by the ASB for consultation in 2003 but not proceeded with. In the present absence of an FRS or UITF Abstract on cap and trade schemes, authorities



should adopt the accounting treatment proposed in Information Sheet No. 61.

In accordance with ASB Information Sheet No. 61, the Landfill Allowances Trading Scheme (LATS) gives rise to:



- (a) an asset for allowances held
- (b) LATS grant income
- (c) a liability for actual BMW landfill usage.

Allowances, whether allocated by DEFRA or purchased from another WDA, should be recognised as assets and classified as current assets. They should be measured initially at their fair value.

Landfill allowances are issued free by DEFRA/the Scottish Government. The fair value of the allowances issued to WDAs is a government grant that should be accounted for under SSAP 4 Accounting for Government Grants. Accordingly, the grant is initially recognised as deferred income in the Balance Sheet and subsequently recognised as income on a systematic basis over the compliance year for which the allowances were allocated.

As landfill is used, a liability should be recognised for actual BMW landfill usage. This liability is a provision that falls within the scope of FRS 12 Provisions, Contingent Liabilities and Contingent Assets. The liability is discharged by using allowances to meet the liability, paying a cash penalty to DEFRA/the Scottish Government or a combination of both. The liability should be measured at the best estimate of the expenditure required to meet the obligation at the Balance Sheet date. This will normally be the present market price at the Balance Sheet date of the number of allowances needed to cover actual BMW landfill usage for the year. However, if, in a WDA's best estimate, some or the entire obligation will be met by paying a cash penalty to DEFRA/the Scottish Government, it should measure that part of its liability at the cost of the penalty rather than at the market price of the relevant number of allowances.

Under Information Sheet No. 61, two accounting policies for remeasuring the value of landfill allowances after initial recognition are permitted:

-  lower of cost and net realisable value
-  revaluation to market value.

Local authorities should adopt a 'lower of cost and net realisable value' accounting policy since this avoids some difficult and unresolved accounting issues concerning the accounting treatment of revaluation gains and losses on future year allowances.

## **24. Acquired Operations**

Income and expenditure directly related to material acquired operations is shown separately on the face of the Income and Expenditure Account under the heading of acquired operations.

## **25. Government Grants and other contributions (Capital)**

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited to the Government Grants Deferred account and written off in the service revenue account over the useful life of the asset to match the depreciation of the asset to which it relates.

Government grants or other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

## **26. Impairment and uncollectability of Financial Assets**

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of a past event that occurred subsequent to the initial recognition of the asset. Expected losses as a result of future events, no matter how likely, should not be recognised. The downgrade of the credit rating of a creditor is not of itself objective evidence of impairment, although it may be when considered with other information. Events that provide objective evidence of impairment include the following:

- (a) significant financial difficulty of the creditor
- (b) a breach of contract, such as a default or delinquency in interest or principal payments
- (c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider
- (d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- (e) the disappearance of an active market for that financial asset because of financial difficulties
- (f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - (i) adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments), or
  - (ii) national or local economic conditions that correlate with defaults on the assets in the group (e.g. a significant increase in the unemployment rate in the authority area).

At each Balance Sheet date an assessment should be made of whether there is objective evidence that any financial asset or group of financial assets may be impaired. An assessment should first be made of whether evidence of impairment exists individually for financial assets that are individually significant. Then an assessment of impairment should be made individually or collectively for financial assets that are not individually significant.

## **27. Collection Fund**

Changes to the SORP mean that the council will now only account for its element of any surplus or deficit arising from the collection fund. All other transactions will be recognised as a creditor or debtor relating to the other precepting bodies or the National Non Domestic Rating Pool.

# Statement of Responsibilities for the Statement of Accounts

## The Authority's Responsibilities

The Authority 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 Service Director Finance.
- ▲ Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ▲ Approve the Statement of Accounts.

## The Chief Financial Officer's Responsibilities

The Service Director Finance is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

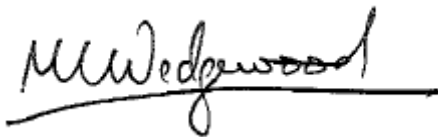
In preparing this Statement of Accounts the Service Director Finance has: -

- ▲ Selected suitable accounting policies and then applied them consistently
- ▲ Made judgements and estimates that were reasonable and prudent
- ▲ Complied with the Code of Practice.

The Service Director Finance has also: -

- ▲ Kept proper accounting records which were up to date
- ▲ Taken reasonable steps for the prevention and detection of fraud and other irregularities

This statement of accounts presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2010.



Signature:

22nd June 2010

M L Wedgewood CPFA

Chief Financial Officer

Signature:

30th June 2010

Cllr D. Whiteley

Chair

of

Audit

Committee

# **North Lincolnshire Council Annual Governance Statement 2009/10**

## **Scope of responsibility**

North Lincolnshire Council 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. North Lincolnshire Council 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.

In discharging this overall responsibility, North Lincolnshire Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

North Lincolnshire 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 code is on our website at [www.northlincs.gov.uk](http://www.northlincs.gov.uk) or can be obtained from Pittwood House, Ashby Road, Scunthorpe. This statement explains how North Lincolnshire 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 (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

## **The purpose of the governance framework**

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. 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, cost effective services.

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 ongoing process designed to identify and prioritise the risks to the achievement of North Lincolnshire Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at North Lincolnshire Council for the year ended 31 March 2010 and up to the date of approval of the statement of accounts.

## **The governance framework**

The council's governance arrangements are supported by well-established systems and processes including:

### **Identifying and communicating the authority's purpose and vision and intended outcomes for citizens and service users**

#### **Reviewing the authority's vision and its implications for the authority's governance arrangements**

The council sets its vision and priorities after extensive consultation with all its stakeholders. The three-year Strategic Plan entitled 'Going Forward Together' identifies the priorities for the council and also sets out what the council will do to deliver the community strategy. The plan shows how we manage the council and our priorities for improvement; how we align our resources to meet our strategic priorities; and how we contribute to the shared ambitions for the area. The drivers behind the plan are the council ambitions – four of which are shared with the North Lincolnshire Strategic Partnership and a transformational strategy containing four strands: valued council; organisational excellence; organisational fitness and worksmart. For 2009/10 the plan is strengthened with clearer links with revenue and capital projects approved in line with the financial plan 2009/2012, supporting strategies including Value for Money and Human Resources, outcomes, Local Area Agreement performance measures and environmental outcomes.

Service plans integrate all key council planning processes and make explicit service delivery contribution to the council's ambitions. The planning process identifies the contribution services and individuals have to achieve the shared vision through the Community Strategy. For 2010/11 service planning has been strengthened to ensure consistency across all services areas and more explicit links to achieving council wide outcomes.

The council's activities and achievements, its financial position and performance is published each year in an annual report which is available on the council's website. The 2009/10 Annual Report has been enhanced with more focus on outcomes and budget achievement.

### **Measuring the quality of services 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**

Performing Together is the council's performance management framework. This sets out the council's model for planning, achieving and reviewing performance. Performance targets are reviewed quarterly at a corporate level and by services to ensure key service delivery targets are monitored and appropriate action is taken where necessary. Quarterly Performance Reviews (QPR) is a key method for reviewing progress towards ambitions and priorities in the service plans and the council's strategic plan. Action has been taken to strengthen the QPR process both internally and through the LSP and to enhance the Performance Improvement Process. An important link is made between cost and performance to ensure value for money is considered and other critical issues such as risk management information. An escalated reporting process has been developed to address



poor performance. Action plans are required for all indicators showing performance below the national lower quartile, including a risk assessment of action proposed. These are then subject to more regular performance monitoring process through Corporate QPRs and Performance Improvement Panels involving Members and Service Directors. There is also an annual performance review before senior management and councillors.




The Value for Money (VFM) Board was instrumental in the development of the service planning and performance management arrangements to ensure VFM is properly considered in service plans, through Quarterly Performance Reviews and Performance Improvement Panels where necessary. A closer alignment of VFM work with the council's financial planning arrangements has been made to help meet the challenge of budget and efficiency savings the council faces. The VFM Board developed the VFM Strategy 'Delivering Value Together' which was agreed by cabinet in February 2010 and incorporates a strategic commissioning policy aligned with the VFM programme. The Transformation Board now includes VFM through the 'valued council' workstream of the Transformation Plan. As a low cost council generating efficiencies is more difficult to achieve, therefore external support has been engaged to support the delivery of the Transformation Plan by conducting a review of efficiencies and improvement opportunities designed to reduce cost; improve service delivery and maximise utilisation of council assets.

Robust budget monitoring procedures have operated throughout the year and have enabled the council to achieve a £1m under spend at a time of great financial pressures due to the recession. This now includes key elements of the balance sheet to ensure appropriate coverage of key financial risks. Action is identified either on a service or council wide basis to address potential budget overspends or underachievement of income (e.g. as a result of the economic slowdown). Budget monitoring information has been improved through greater integration of financial and performance data. Environmental performance and costs are also beginning to be monitored and considered. These arrangements are applied to significant partnership work. Regular reporting of forecast outturn, explanations of variances and recovery plans for dealing with variances has continued for senior officers and members. All changes to service delivery must be financially assessed and included in reports to members for consideration. Strong budgetary control arrangements in place will be important to manage future potential uncertainties in public funding.

### **Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)**

The Statement on the Role of the Chief Financial Officer (CFO) in Local Government supports CIPFA's work to strengthen governance and financial management across the public services. The Statement sets out the principles that define the core activities and behaviours that belong to the role of the CFO and the governance requirements needed to support them. The principles state the CFO:

-  is a key member of the Leadership Team, helping to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.
-  must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's overall financial strategy

-  must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.
-  must lead and direct a finance function that is resourced to be fit for purpose
-  must be professionally qualified and suitably experienced.

North Lincolnshire's financial management arrangements have been reviewed and were evaluated to be compliant with these requirements.

**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**




The council's Constitution sets out clearly the respective roles and responsibilities of members and officers. A scheme of delegated powers is also set out in the approved Delegations to Officers and Appointment of Proper Officers schedule.

The Executive (which is made up of the Leader and Cabinet of councillors) make decisions in line with the council's overall policies and budget. Any decisions outside the budget or policy framework would be referred to the Council as a whole to decide. The Overview and Scrutiny committees support the work of the Executive and Council by reviewing and making recommendations on policy, budget and service delivery. They can also monitor and review decisions taken by the Executive prior to implementation. There are also committees that deal with regulatory functions such as Planning, Licensing and Appeals. In accordance with the Local Government and Public Involvement in Health Act 2007, the Standards Committee deals with issues of members conduct. Appropriate procedures and training have been put in place to deal with the local assessment, review, investigation and determination of complaints. Standards for England reporting requirements are met and an annual report is prepared for the Standards Committee.

**Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for local Authorities**

The council established an audit committee in May 2007 in line with best practice. The committee oversees the management of governance issues, internal controls, risk management and financial reporting. The terms of reference for the Committee are reviewed annually and revised to reflect professional bodies' expectations and best practice. For example, challenge and scrutiny of the Treasury Management process was added to the Committee's terms of reference in response to CIPFA guidance and the adoption of the revised code on Treasury Management in February 2010.

Reporting arrangements have been strengthened in a number of aspects:

-  A forward plan of reports is prepared for the Audit Committee each year setting out sources of assurance the Committee will receive to fulfil its terms of reference.
-  Recommendations provide more detail of the type and level of assurance members should seek to fulfil their role.
-  Reports contain more detail (at the request of members) to provide more scope for questions and possible challenge.

**Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff**

The council has adopted the national members' code of conduct in accordance with Section 50 of the Local Government Act 2000 and the Local Authorities (Model Code of Conduct) Order 2007.

The Officer Code of Practice for declarations of interest, gifts and hospitality was relaunched following a review in February 2009. In addition the employee code of conduct which covers additional issues such as management & supervision, health & safety and personal conduct is binding as part of each employee's contractual terms and compliance is managed through various policies contained within the council's Human Resources Manual.

Corporate governance arrangements ensure that the conduct of officers and members is of the highest standard in decision-making and application of policy and procedures in service delivery. The council's Local Code of Corporate Governance and key supporting procedures are monitored and regularly reviewed.

**Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/ manuals, which clearly define how decisions are taken and the processes and controls required to manage risks**

The council has a formal Constitution and Delegations to Officers. These set out how the council operates and how it makes decisions. These policies are reviewed and amended to reflect changes in regulations and working practices when necessary.

There is an established financial management framework in place that is set out in the council's Constitution through the Financial Regulations, Finance Manual, Contract Procedure Rules and Procurement Manual. The council's Chief Financial Officer sets out the internal controls that must be complied with to ensure the proper administration of the council's financial affairs.

Risk management arrangements have developed over a number of years and the Strategic Risk Management Group (SRMG) has been instrumental in this process. The council has developed a comprehensive risk management strategy, which has been adopted throughout the council. The strategy is reviewed annually and an action plan of work is developed each year. The risk management strategy sets out the council's approach to risk management and the framework in place to manage risks. This includes strategic and operational risk registers, which assess the likelihood and impact of risks, the mitigating controls in place and responsibilities for those controls. The Strategic Risk Register identifies corporate risks to the council. These are linked to the council's strategic objectives; the definition used was 'those risks which will significantly impair the achievement of the council's principal aims and objectives.' The register identifies the likelihood and impact of controls and the lead responsibility for managing controls. The Strategic Risk register is reviewed and monitored regularly and the importance of new and emerging risks are recognised. For example, data quality and partnerships have been added to the register. The risks associated with major projects such as Building Schools for the Future, the Pods, and the Waste Management



contract are managed through the same process and regular risk register updates are reported to SRMG. Risk related training has been provided for both members and officers throughout the year.

### **Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

There are well-established arrangements in place to ensure compliance with the council's Constitution, relevant laws, regulations etc. and that expenditure is lawful. Independent legal advice is available on request including specialisms such as employment, planning, education and child care law. The lawfulness of the council's decision-making process is bolstered by the report format protocol which includes appropriate legal input. The risk/options analysis is now embedded so as to ensure that the decision maker is presented with an analysis of the options together with a range of implications.

The council has a strong managerial framework that is supported with policies and procedures in all key areas. Senior managers review controls in place to ensure objectives and obligations are met. Annual statements of assurance are prepared by each Service Director to confirm that the system of internal control within each service area is adequate and key supporting procedures are regularly monitored and reviewed. These are independently evaluated through the work of internal audit.

### **Whistle-blowing and for receiving and investigating complaints from the public**

The Whistle-blowing charter incorporates appropriate safeguards to protect whistleblowers and details of the Public Interest Disclosure Act 1998. The whistle blowing policy is advertised on the council's web site <http://www.northlincs.gov.uk/northlincs/councilanddemocracy/finances/fraud/fraudhotline.htm> and intranet. The whistle blower's hotline telephone details are publicised throughout the council.

An improved and streamlined complaints procedure was launched in May 2009. The new procedure provides a more simplified system of complaints handling and opportunity to learn from them.

The Standards Committee receive the Monitoring Officers' annual report on a review of member complaints together with the Local Ombudsman's Annual Report. For the municipal year 2009/10 the Monitoring Officers' report will be replaced by a report of the Committee itself and a number of other initiatives aimed at enhancing knowledge of the work of the Committee will be introduced.

### **Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training**

The council promotes development through the member development charter and access to regular development opportunities. Councillors are helped in their role by a comprehensive induction process after election and ongoing training and development. A member development group has been established to drive forward continuous improvement in this area. North Lincolnshire is one the few councils in the area to have

been awarded the 'Member Development Charter' by IDeA and the nine Regional Employers Organisations.

The council's commitment to learning and development is described in our Human Resources Strategy 'Valuing People'. The strategy demonstrates how the council will deliver one of its core values of 'We Value' in achieving its vision and ambitions.

North Lincolnshire Council takes a strategic approach to addressing its current and future workforce issues. Its approaches to attracting, retaining, developing and motivating the workforce were recognised as being effective when we achieved the Investors in People standard in 2009. The Standard provides a framework for improving performance and developing people to meet business objectives.

Valuing People Together is the council's 3-year corporate workforce strategy. It is linked directly to the council's corporate strategy, *Going Forward Together* and it sets out the council's strategic approach to recruitment, retention and development, its workforce objectives, challenges and plans of action. There is a corporate training programme to ensure skills gaps can be addressed and a learning and development reviewing process (LADAR) to assess the impact and effectiveness of each training course. Employee development reviews and one to one meetings take place to continually assess training and development needs through a personal action plan.

**Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

The council's communication strategy 'Communicating Together' supports and drives communications around the ambitions, focuses communications on critical areas and improves co-ordination across the council. A key element of the communication strategy is the council's magazine *Direct*, which is distributed to all households (and is available on the web) and provides a useful tool for surveying stakeholders' views.

The council has encouraged and maintained an effective relationship with local people and other stakeholders by:

- publishing a Forward Plan of Key Decisions;
- encouraging and supporting the public in a range of ways to present issues to the Full Council, Regulatory Committees, Scrutiny and Petition Panels.

The council has a good engagement framework with several examples of good practice e.g. consultation and engagement toolkit (recognized by IDEA), in depth public consultation exercise using consultants (Research for Today) to evaluate key spending priorities for the three year plan. The outcome of the exercise informed the council's 2010/13 Financial Strategy.

**Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the authority's overall governance arrangements.**

A definition of the various types of partnerships has been established, this enabled the differing governance arrangements to be considered and developed where necessary. A strategic lead on partnerships has been assigned and a governance framework has been

developed that should be applied as a minimum to all relevant partnerships. The framework includes roles, responsibilities and accountabilities and financial and performance management arrangements. A staged approach is being adopted and the framework has been applied to the Local Strategic Partnership and the most significant service partnerships first.




### **Review of effectiveness**

North Lincolnshire Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive 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.

### **External assessment**

The Comprehensive Area Assessment (Organisational Assessment) for 2009 carried out by the Audit Commission was reported to the Audit Committee along with the Annual Audit Letter in January 2010. This showed that the council's performance was 'adequate'. They identified that the council has a clear vision of what it needs to deliver, based on an assessment of local need. They felt that the council's services were variable with a mix of some good performance and some that could be improved. They also identified that service performance is not sufficiently focused on priorities and could be better focused on outcomes for local people. In addition they identified a number of areas where service performance could be improved. Corporate areas for improvement are being linked into the council's transformation plan. Service issues that have not already been identified as a performance concern will be the subject of a report by the relevant service director setting out how they will improve and the impact that will result.

The council's external auditors carry out a programme of work each year to assess the adequacy of the control environment in place within the council. This is also reported in the Annual Audit Letter. A key component of the CAA is the 'Use of Resources'. This includes an assessment being made on:

-  Managing finances
-  Governing the business
-  Managing resources.





Overall the Auditors reported that the council had adequate arrangements in place in each of the main Use of Resources Themes (managing money, governing the business and managing resources). Each of the themes was assessed as 'meeting minimum requirements - performing adequately' (level 2 score).






## Use of resources theme scores

Use of Resources Theme	Subtheme Score	Overall Scored Judgement
<p><b>Managing finances</b> How effectively does the organisation manage its finances to deliver value for money?</p> <ul style="list-style-type: none"> <li>• Financial Planning</li> <li>• Understanding costs</li> <li>• Financial Reporting</li> </ul>	<p>3</p> <p>2</p> <p>2</p>	2
<p><b>Governing the business</b> How well does the organisation govern itself and commission services that provide value for money and deliver better outcomes for local people?</p> <ul style="list-style-type: none"> <li>• Commissioning and Procurement</li> <li>• Data Quality and the Use of information</li> <li>• Good Governance</li> <li>• Risk Management and Internal Control</li> </ul>	<p>3</p> <p>2</p> <p>2</p> <p>2</p>	2
<p><b>Managing resources</b> How well does the organisation manage its natural resources, physical assets and people to meet current and future needs and deliver value for money?</p> <ul style="list-style-type: none"> <li>• Natural Resources</li> <li>• Asset Management</li> </ul>	<p>2</p> <p>3</p>	2





The assessment showed some good arrangements were identified but not at a consistent level across all areas of the key lines of enquiry (assessment criteria). The arrangements for 2009 have been enhanced through the development of the Use of Resources Working Group and rigorous review of current criteria. The 2009/10 self assessment has been completed but is now suspended by the government therefore the potential outcomes are unknown however a request has been made to receive feedback on any improvement areas.

The Use of Resources report issued in September 2009 identified opportunities for the development of the council's arrangements, in respect of:






-  Develop an approach to evidence gathering that encompasses outcomes from key policy decisions and measures the impact across all KLOE themes
-  address the shortfalls in efficiency targets
-  fully integrate financial and performance reporting to further drive the improvement agenda
-  ensure the Audit Committee receive information to enable them to provide robust scrutiny of data quality

-  ensure controls across all data systems are documented and evaluated
-  use the partnership toolkit to demonstrate the positive impact on outcomes from partnership working
-  ensure that mechanisms are in place to gauge the level of confidence that stakeholders and local people have in the governance arrangements of partnerships, including the conduct of members and staff
-  continue to develop the assurance systems to support the Audit Committee to improve overall effectiveness
-  encompass the carbon action plan and environmental policy into an overarching strategy to drive forward the reduction in natural resources.

In addition to the council's Organisational Assessment rating the Annual Audit Letter reported:

-  An unqualified audit opinion was issued on the 2008/09 accounting statements on 30<sup>th</sup> September 2009.
-  Accounting statements were much improved in 2008/09 compared to prior years with fewer errors and better working papers. Scope to improve some important controls over the general ledger was identified and these issues are now being addressed.
-  Many of the issues identified in last year's letter have been addressed but reducing the level of overall staff absence continues to be a problem.
-  An unqualified value for money conclusion was issued on 30<sup>th</sup> September 2009.

Good progress has been made to address the recommendations made in the report and further work is planned such as:

-  A strategic approach is being taken to address the shortfalls in efficiency targets through a transformation plan and engagement of external support to carry out a review of efficiency and improvement opportunities.
-  Clarity on assurance on internal control arrangements has been improved through revised reporting arrangements to the Audit Committee the development of an annual forward of key reports
-  External audit recommendations in respect of the preparation of the financial accounts are being addressed
-  The link between financial and operational performance has been strengthened in the council's revised strategic plan and receives greater emphasis in QPRs. Quarterly budget monitoring reports examine the impact of key operational cost drivers and financial and performance reporting is more integrated to further drive the improvement agenda.
-  In February 2010 Cabinet approved the adoption of a carbon management plan and established a carbon Recycling to Save Fund, to deliver energy and carbon reductions over the next 5 years.






External Audit's 2008/09 grants review highlighted that the arrangements in place to ensure the timely and accurate submission of grant claims had been maintained. Overall performance was broadly the same as the previous year but with an improvement in timeliness. Opportunities to make further improvements to current arrangements were identified and the Audit Committee will receive regular updates on action taken to implement audit recommendations.

Also, the Audit Committee receives regular reports on the implementation of External Audit recommendations. This process confirms that action is in hand to implement all recommendations made.

The Monitoring Officer's annual report on Members Code of Conduct for 2008/09 was considered by the Standards Committee in July 2009. Twelve complaints were received, three of which were referred to the Standards Board. In one case the Board found there had been a breach of the code but that no action needed to be taken; in the other two cases there had been no breaches. Quarterly returns are submitted to the Standards Board as required as well as an annual statement. For the municipal year 2009/10 the Monitoring Officer's report on members' conduct will be replaced by a report by the committee itself and a number of other initiatives (e.g. meetings between the Standards Committee chair and the Chief Executive, Leader and Whips of the two political groups on a 6 monthly basis) aimed at enhancing knowledge of the work of the committee will be introduced,

### **Internal assessment**




Internal Audit provided an opinion to the Audit Committee in June 2010 on the adequacy of internal control across all the council's activities. Internal Audit's Annual Report for 2009/10 concludes that reasonable assurance could be given that the council's control environment was generally adequate. The opinion is derived from:

-  The review of all fundamental financial systems shows either significant or adequate assurance on controls in place. Recommendations were made to improve journal administration arrangements and password and access controls in respect of the CareFirst system.
-  Reviews of other significant systems such as risk management, and corporate governance also provide adequate assurance on controls in place
-  Good progress has been made to clear the backlog of FMSIS assessments. To date no school has failed to meet the accreditation criteria
-  No significant control issues were identified from school audits
-  Counter fraud arrangements have been strengthened and meet with best practice guidance available. The council's risk assessment has been evaluated as low risk and no significant frauds were reported during the year

A positive response has been received in respect of all recommendations for improvement as a result of audit work. In view of the action put in place all issues highlighted are now in the process of being addressed.




The council has taken a range of actions in response to the Icelandic Banking crisis. In particular it is working with the LGA to recover the frozen investments, and a significant portion of these has been returned and more is expected (further details are in the Foreword). The investment strategy was reviewed to implement group and national limits and a restricted range of counterparties, (major UK clearing banks and the Treasury's Debt Management Office) is being used in the current market conditions. Recommendations made by CIPFA and the Audit Commission have been implemented; perhaps the most significant of which has resulted in increased scrutiny of Treasury performance through regular reporting to the Audit Committee during the year.

A report was also be prepared for the Audit Committee in June on the effectiveness of Internal Audit during 2009/2010 to fulfil the requirements of the Accounts and Audit Regulations (amendment) 2006. This showed internal audit provided an effective service based on:

-  External audit's review of Internal Audit and evaluation of compliance with professional (CIPFA) standards
-  Good customer feedback
-  Achievement of most performance targets.

Compliance with CIPFA's Statement on the Role of the Chief Financial Officer (CFO) in Local Government has been reviewed by Internal Audit. The review concluded that financial management arrangements comply with all principles set out in the Statement that define the core activities and behaviours that belong to the role of the CFO and the governance requirements needed to support them.

The risk management strategy in place during 2009/2010 was agreed by the Strategic Risk Management Group (SRMG) and the Audit Committee and was reviewed and strengthened for 2010/2011. The risk management strategy and action plan helps to prioritise work to the areas of highest risk to the council. The proposed action plan for 2010/2011 has been structured to meet the aims and objectives of the strategy. Successful implementation and delivery of the transformation plan is vital in the light of future public sector funding and is reflected in the risk management strategy. The impact of key transformation milestones on the control environment will be monitored through the action plan. For 2010/2011 service plans the risk of non delivery of council ambitions and priorities will be tracked along with key service partnership risks. An important task identified in the action plan is the review of the strategic risk register following the completion of new style service plans. During 2009/10 SRMG received and confirmed the council's strategic risks and ensured key controls are reviewed regularly. The review of Strategic Risk controls reported to the Audit Committee in January 2010 showed that all risks were adequately managed to an appropriate level and controls are assessed as satisfactory or good. This represents an overall improvement against the evaluation of strategic risk controls reported to the Audit Committee in January 2009. Specifically controls have been strengthened in respect of the strategic risk 'Serious breach of information, integrity, confidentiality & availability' through the implementation of Government Connect requirements and improved physical controls such as resiting and refurbishment of the new IT suite. Internal Audit's review of risk provided adequate assurance on management arrangements – the main areas for improvement being:

-  Improved risk management information and analysis through an electronic risk management solution
-  Further training for staff where gaps have been identified through the generic competences, and the counter fraud and governance survey
-  Targeted training with QPR service leads

One important development for 2010/2011 is the introduction of performance measures to demonstrate success and positive outcomes/impact of the strategy. The latest Comprehensive Area Assessment - Use of Resources rated internal control arrangements (which include risk management arrangements) as 2 – meeting minimum requirements – performing adequately. This represents consolidation of arrangements against more demanding criteria. The Use of Resources self assessment for 2009/2010 was completed but

is now suspended by the government therefore the potential outcomes are unknown however a request has been made to receive feed back on any improvement areas.


A review of effectiveness of the Audit Committee was completed using the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance on audit committees and a self-assessment 'toolkit'. The evaluation as indicated in the checklist shows the Audit Committee meets best practice in most aspects. Some opportunities for development were identified for the Committee to consider. The Audit Committee has also had the ability to raise queries with relevant officers on key issues e.g. performance. This work has been built on and arrangements have been enhanced through the introduction of the forward plan and assurance map of reports.

Corporate governance arrangements were evaluated by internal audit against CIPFA/SOLACE best practice framework. The council's arrangements meet with best practice in most areas. The review incorporates assurances received from internal and external review bodies, the Chief Financial Officer and Monitoring Officer. The findings and actions for improvement were reported to the Audit Committee in the Internal Audit Annual report.

Internal Audit's evaluation of counter fraud arrangements against CIPFA guidance indicated that the council's arrangements generally comply with best practice and its risk of fraud profile is low. Nevertheless counter fraud arrangements have been strengthened during the year in response to further professional guidance and a potential increase in the risk of fraud caused by the recession and other economic factors. A publicity campaign to raise awareness about the potential risk of fraud has been launched and a counter fraud newsletter has been widely distributed throughout the council. The Anti Fraud, Theft and Corruption Strategy has been reviewed and strengthened to demonstrate the council's zero tolerance stance on fraud. An anti money laundering policy has been introduced and targeted training provided in conjunction with the police. The Audit Committee receive regular reports on counter fraud work to gain assurance on the adequacy of arrangements in place and for the first time a specific counter fraud plan has been developed to provide the committee with assurance on Internal Audit work planned during 2010/11 aimed at preventing, detecting and deterring fraud.

A follow up audit of the council's approach to partnership working, compliance with the framework and impact of applying the governance toolkit showed the partnership framework and assessment has been applied to the LSP and contributory partners. The framework is being applied to significant service specific partnerships and has resulted in rationalization of partnerships and strengthening of governance arrangements. The Comprehensive Area Assessment recognized opportunities for increasing the capacity of the LSP.

#### **Governance developments planned during 2010/2011**

1. Continue to progress the work already underway to address the External Auditors findings in the Annual Audit Letter and Organisational Assessment such as
  -  Continue to address the shortfalls in efficiency targets through the council's strategic transformation plan approach and at a service level through better engagement and efficiency capture.



- ▲ Continue to investigate methods of reducing staff sickness levels to increase capacity within the council
- ▲ Continue to develop reporting arrangements to the Audit Committee to increase the focus on how the Committee obtains assurance regarding the operation of the internal control framework and financial reporting arrangements
- ▲ External audit recommendations have been implemented in the preparation of the 2009/10 financial statements and will be evaluated in their audit of accounts review. Any further recommendations made following this review will be considered.
- ▲ Work will continue to develop the link between financial and operational performance.
- ▲ Implement the council's carbon management plan to deliver energy and carbon reductions over the next 5 years.

2. Address internal control issues highlighted in Internal Audit's Annual Report including corporate governance review recommendations.
3. Development and delivery of the Transformation Plan including Worksmart and other VFM and efficiency initiatives to meet future funding reductions.
4. Continue to strengthen governance arrangements for the LSP.

### **Certification**

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:



22nd June 2010

Leader of North Lincolnshire Council

Signed



22nd June 2010

Chief Executive

## Income & Expenditure Account 2009/10

2008/09 Restated Net Expenditure £000	Income and Expenditure Account	Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
33,091	Culture, Environmental, Regulatory & Planning services		67,952	(11,576)	56,376
32,818	Education and Children's services		188,779	(131,037)	57,742
4,000	Housing services		44,974	(40,753)	4,221
12,265	Highways & Transport services		16,331	(4,307)	12,024
35,778	Adult Social Care		55,264	(17,519)	37,745
2,087	Central Services to the Public		17,292	(14,810)	2,482
3,854	Corporate & Democratic Core		8,012	(3,256)	4,756
0	Exceptional item - VAT refund		0	(1,686)	(1,686)
4,214	Non Distributable Costs		568	(23)	545
<b>128,107</b>	<b>Net cost of services</b>		<b>399,172</b>	<b>(224,967)</b>	<b>174,205</b>
(468)	(Gain)/ Loss on the disposal of fixed assets	<b>18</b>			(421)
(698)	Capital Receipts unrelated to the sale of fixed assets	<b>18</b>			(834)
1,209	Parish Council Precepts				1,252
416	Trading Undertakings	<b>4</b>			3,233
8,829	Interest Payable and similar charges	<b>56</b>			6,815
137	Housing capital receipts to Government Pool				45
(2,900)	Interest Receivable	<b>56</b>			(302)
5,895	Pensions interest cost and expected return on pensions assets	<b>37</b>			12,086
1,113	Other Precepts & Levies				1,141
<b>141,640</b>	<b>Net operating expenditure</b>				<b>197,220</b>
(62,255)	Demand on the Collection Fund				(65,325)
(17,979)	General government grants	<b>24</b>			(20,936)
(50,149)	Non-domestic rates redistribution				(48,598)
<b>11,257</b>	<b>Deficit for the year</b>				<b>62,361</b>

## Statement of Movement on the General Fund Balance

2008/09 Restated £000	Statement of Movement on the General Fund Balance	Note	2009/10 £000
<b>11,257</b>	Surplus or deficit for the year on the Income and Expenditure Account (I&E)		<b>62,361</b>
(38,530)	Amounts included in the I&E but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	12	(87,501)
23,471	Amounts not included in the I&E but required to be included by statute when Fund Balance for the year determining the Movement on the General Fund	12	24,495
4,344	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Balance for the year Movement on the General Fund	12	1,281
<b>542</b>	Net additional amount required by statute and non-statutory proper practices to be debited or (credited) to the General Fund Balance for the year		<b>636</b>
(9,646)	General Fund Balance brought forward		(9,104)
542	(Surplus)/deficit for the year		636
<b>(9,104)</b>	General Fund Balance carried forward	30	<b>(8,468)</b>
	<b>Analysis of the movement on the General Fund Balance for the year between the amount generally available to the authority and the net amount held by schools under local management schemes.</b>		
(190)	Balance generally available to the Authority (surplus)/deficit for the year		0
732	General Fund Balance held by schools (surplus)/deficit for the year		636
<b>542</b>			<b>636</b>

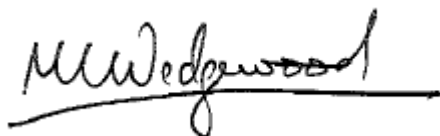
## Statement of Total Recognised Gains & Losses 2009/10

Previous Year Restated £000	<u>Statement of Total Recognised Gains and Losses</u>	<u>Note</u>	Current Year £000
11,257	(Surplus) or deficit on the Income and Expenditure Account for the year		62,361
(27,218)	(Surplus) or deficit arising on revaluation of fixed assets	30(a)	(32,656)
54,243	Actuarial (gains) and losses on pension fund assets and liabilities	37	159,099
256	Any other gains and losses required to be included in the STRGL	53	0
<b><u>38,538</u></b>	<b>Total recognised losses for the year</b>		<b><u>188,804</u></b>

# Balance Sheet 2009/10

31st March 2009 Restated		Note	31st March 2010	
£'000	£'000		£'000	£'000
0		22	0	
412,079		13	384,733	
46,175		13	75,865	
	<b>458,254</b>			<b>460,598</b>
1,495		25	1,500	
1,391	2,886	46	1,369	2,869
	<b>461,140</b>			<b>463,467</b>
489		47	461	
24,922		43/48	30,237	
25,712		49	30,437	
200	51,323	41	216	61,351
(30,898)		50	(43,377)	
(1,450)		27/51	(1,470)	
(263)	(32,611)	41	(3,102)	(47,949)
	<b>18,712</b>			<b>13,402</b>
	<b>479,852</b>			<b>476,869</b>
(117,541)		27/41	(116,236)	
(250)		54	0	
(161,419)		37	(322,917)	
(52,998)		55	(78,709)	
(1,343)	(333,551)	28/29	(1,510)	(519,372)
	<b>146,301</b>			<b>(42,503)</b>
43,525		30	76,181	
243,507		30	181,801	
1,000		30	1,599	
52		10	35	
(161,419)		30/37	(322,917)	
(1,376)		30	(1,223)	
6,858		30	6,858	
1,095		30	1,459	
2,246		30	1,610	
10,813		30	12,094	
	<b>146,301</b>			<b>(42,503)</b>

Chief Financial Officer, Service Director Finance



22<sup>nd</sup> June 2010

## Cashflow Statement 2009/10

Actual 2008/09 Restated			Note	Actual 2009/10	
£'000	£'000			£'000	£'000
	13,200	<b>Net cash inflow/(outflow) from revenue activities</b>	40		22,251
		<b>Returns on investments and servicing of finance</b>			
		Cash Outflows			
(7,181)		Interest paid		(7,105)	
		Cash Inflows			
2,532		Interest received		131	
	(4,649)	<b>Net cash outflow from investments and servicing of finance</b>			(6,974)
		<b>Capital Activities</b>			
		Cash Outflows			
(27,256)		Purchase of Fixed Assets		(38,958)	
(5,352)		Other capital cash payments		(3,196)	
		Cash Inflows			
3,290		Sale of fixed assets		3,222	
18,109		Capital grants received		34,762	
0		Other capital cash receipts		0	
	<u>(11,209)</u>	<b>Net cash outflow from capital activities</b>			<u>(4,170)</u>
	(2,658)	<b>Net cash inflow/(outflow) before financing</b>	41		11,107
		<b>Management of liquid resources</b>			
11,278		Net (increase)/decrease in short term deposits	43	(4,991)	
(5,241)		Net (increase)/decrease in other liquid resources	43	(7,769)	
	6,037				(12,760)
		<b>Financing</b>			
		Cash Outflows			
(2,555)		Repayments of Amounts Borrowed	42	(1,170)	
		Cash Inflows			
0		New loans raised	42	0	
	<u>(2,555)</u>				<u>(1,170)</u>
	<u>824</u>	<b>Net Increase/(Decrease) in Cash</b>			<u>(2,823)</u>

# The Notes to the Core Financial Statements

## 1. Discontinued Operations

The council continues to receive payments from North Lincolnshire Homes under the agreements signed at the point of transfer. These payments comprise VAT Tax Shelter and Right to Buy receipts. In 2009/10 the total capital receipt recognised was £699k (£593k prior year).

## 2. Prior Period Adjustments, Exceptional and Extraordinary Items

There are no extraordinary items in this year's accounts.

The accounts include one exceptional item. This is a refund of VAT from Her Majesty's Revenue and Customs. The net refund was £1.69m this has been included as an exceptional item line of the Income and Expenditure account due to its size.

A prior period adjustment of £2.8m has been made to reflect amortisation of Government Grants Deferred that should have taken place in previous years. The impact of this is to reduce the 2008/09 deficit on the face of the Income and Expenditure account to £11.5m with an opposite effect in the Statement of Movement on the General Fund balance. A further series of prior period adjustments have been processed to reflect the change in accounting treatment of the Collection Fund. The fund is now accounted for on an agency basis. The changes required are as follows:-

Prior Year Adjustments	Collection Fund Adjustment	Government Grants Deferred Adjustment	Total Adjustment
	£000	£000	£000
<b><u>I&amp;E</u></b>			
Education and Children's Services		(2,810)	(2,810)
Demand on the Collection Fund	(206)		(206)
Net impact on Deficit for the Year			<b><u>(3,016)</u></b>
<b><u>SMGFB</u></b>			
Government Grants Deferred amortisation matching depreciation and impairments		2810	<b><u>2,810</u></b>
Amount by which Council Tax income and residual community charge adjustment included in the Income and Expenditure Account is different from the amount taken to the General Fund in accordance with regulation.	206		206
Net impact on the General Fund Balance			<b><u>3,016</u></b>
<b><u>STRGL</u></b>			
(Surplus) or deficit on the Income and Expenditure Account for the Year	(206)	(2,810)	(3,016)
Any other gains and losses required to be included in the STRGL	206		206
Total recognised gains and losses required to be included in the STRGL			<b><u>(2,810)</u></b>
<b><u>Balance Sheet</u></b>			
Debtors	1,527		1,527
Creditors	(1,733)		(1,733)
Government Grants Deferred		2,810	2,810
<b><u>Net impact on Total Assets less Liabilities</u></b>			<b><u>2,604</u></b>
Capital Adjustments Account		2,810	2,810
Collection Fund Adjustment Account	(206)		(206)
<b><u>Net impact on Net Worth</u></b>			<b><u>2,604</u></b>

### 3. Long Term Contracts

The council's long term contracts with an estimated annual value of £1m or more are summarised below:-

Contract Title	Contract Start Date	Contract End Date	Est. Annual Value £m	Contractor(s)
Residential Care Homes	Various	Ongoing	21.00	Estimated 119 Care Homes
Waste Disposal Services	07-Dec-99	31-Mar-11	5.00	SITA North Lincs
Energy : - Electricity, Gas, Liquid Fuel	Various	Ongoing	4.85	Npower, Total, Rix, Scottish Hydro and Bayford
Specialist Vehicle Framework	26-Sep-07	25-Sep-11	3.00	Various
Light Commercial Vehicles	22-Dec-07	21-Dec-11	1.47	Various
Insurance	01-Oct-07	30-Sep-12	1.18	Zurich

The residential care homes contract represents contracts with several providers for residential care for the elderly.

### 4. Trading Undertakings

The Council operates a range of trading undertakings. Their financial performance is presented below.

2008/09 (Surplus)/ Deficit £'000	Trading Undertaking	2009/10 (Surplus)/ Deficit £'000	Turnover £'000
(596)	Fleet Management/Maintenance	(751)	5,401
153	Building Cleaning/ Maintenance	43	1,749
138	Catering	38	5,464
(42)	Markets	105	570
424	Property Trading Account	3,652	2,493
162	Digital Print Services	104	225
177	Building Control	42	502
<b>416</b>		<b>3,233</b>	<b>16,404</b>

Pressures due to the recession have affected the income received by the Building Control function. These pressures have also reduced the income received by the Property Trading Account. This account has also been charged with £4.9m of impairment due to a fall in property valuations.

### 5. Partnership Schemes under Section 31 of the Health Act 1999

North Lincolnshire Council and North Lincolnshire Primary Care Trust are involved in two formal Pooled Budget Schemes. The Pooled Funds are for Learning Disability and Mental Health. The purpose of the pools is to deliver strategic national and local objectives for a modern service and improving service user and carer experiences.

2008/09		2009/10	
Learning Disability	Mental Health	Learning Disability	Mental Health
£'000	£'000	£'000	£'000
<b>6,325</b>	<b>16,408</b>		
<b>Expenditure</b>		<b>6,655</b>	<b>16,907</b>
<b>Income</b>			
4,622	2,503	4,737	2,587
1,978	13,905	2,122	14,224
<b>6,600</b>	<b>16,408</b>	<b>6,859</b>	<b>16,811</b>
(275)	0	(204)	96
<b>Net Overspend/(Underspend)</b>			

## 6. Members' Allowances

The table below summarises the allowances, other payments and deductions relating to the remuneration of members during the financial year.

	2008/09	2009/10
	£'000	£'000
Members Allowances	626	646
Travel & Subsistence	81	69
Less Employees Tax & National Insurance	(157)	(162)
<b>Net payment to Members</b>	<b>550</b>	<b>553</b>

## 7. Officers' Remuneration

In accordance with the Accounting Code of Practice the numbers of employees whose remuneration during the year was in excess of £50,000 are shown in bands of £5,000 below:

2008/09				Remuneration bands	2009/10			
Teachers	Senior Officers	Other Staff	Total		Teachers	Senior Officers	Other Staff	Total
54		21	<b>75</b>	50 to 54	41		27	<b>68</b>
21	2	12	<b>35</b>	55 to 59	40	1	11	<b>52</b>
6		8	<b>14</b>	60 to 64	13	1	16	<b>30</b>
5		4	<b>9</b>	65 to 69	2		1	<b>3</b>
4			<b>4</b>	70 to 74	5		3	<b>8</b>
6	2	1	<b>9</b>	75 to 79	3			<b>3</b>
	4		<b>4</b>	80 to 84	6	4	1	<b>11</b>
	2		<b>2</b>	85 to 89		4		<b>4</b>
	1		<b>1</b>	90 to 94				<b>0</b>
1	1		<b>2</b>	95 to 99		2		<b>2</b>
1			<b>1</b>	100 to 104	2			<b>2</b>
			<b>0</b>	105 to 109				<b>0</b>
	1		<b>1</b>	110 to 114		1		<b>1</b>
			<b>0</b>	115 to 119				<b>0</b>
			<b>0</b>	120 to 124				<b>0</b>
			<b>0</b>	125 to 129				<b>0</b>
			<b>0</b>	130 to 134				<b>0</b>
	1		<b>1</b>	135 to 139		1		<b>1</b>
<b>98</b>	<b>14</b>	<b>46</b>	<b>158</b>		<b>112</b>	<b>14</b>	<b>59</b>	<b>185</b>



Due to the annual pay award twenty seven staff now have a remuneration just above £50,000. Other variations are due to staff leaving or being appointed during the year.

The tables below show the remuneration for council Senior Officers in 2009/10 and 2008/09.

2009/10	Remuneration band	Salary	Other Benefits	Remuneration Total	Employers Pension Contribution (Not in remuneration)
	£000	£	£	£	£
Chief Executive	135 to 139	131,191	4,943	<b>136,134</b>	28,923
Deputy Chief Executive	110 to 114	107,860	6,544	<b>114,404</b>	24,053
Service Director Children, Strategy and Partnerships	95 to 99	93,757	5,513	<b>99,269</b>	21,554
Service Director Transition and Development	95 to 99	88,947	7,106	<b>96,053</b>	20,696
Service Director Neighbourhood and Environment	85 to 89	83,580	5,453	<b>89,033</b>	19,158
Service Director Finance	85 to 89	82,500	4,713	<b>87,213</b>	18,398
Service Director Adult Social Care	85 to 89	84,019	2,728	<b>86,747</b>	18,732
Service Director Community Planning and Resources	85 to 89	76,500	8,709	<b>85,209</b>	17,060
Service Director Asset Management and Culture	80 to 84	76,500	8,344	<b>84,844</b>	17,060
Service Director Human Resources	80 to 84	77,743	4,590	<b>82,333</b>	17,060
Service Director Highways and Planning	80 to 84	73,489	8,123	<b>81,612</b>	17,315
Service Director Legal and Democratic	80 to 84	76,320	3,701	<b>80,021</b>	17,690
Head of Strategic Regeneration, Housing & Development	60 to 64	57,227	3,403	<b>60,630</b>	12,616
Head of Strategy Development	55 to 59	56,576	3,395	<b>59,971</b>	12,616
		<b>1,166,210</b>	<b>77,264</b>	<b>1,243,474</b>	<b>262,930</b>

The comparable table for 2008/09 is shown below:-

2008/09	Remuneration band	Salary	Other Benefits	Remuneration Total	Employers Pension Contribution (Not in remuneration)
	£000	£	£	£	£
Chief Executive	135 to 139	131,191	4,744	<b>135,935</b>	28,923
Deputy Chief Executive	110 to 114	107,860	6,646	<b>114,506</b>	24,053
Service Director Transition and Development	95 to 99	88,947	7,106	<b>96,053</b>	20,696
Service Director Highways and Planning	90 to 94	82,523	7,887	<b>90,410</b>	19,259
Service Director Adult Social Care	85 to 89	82,737	5,458	<b>88,195</b>	18,450
Service Director Children, Strategy and Partnerships	85 to 89	82,800	4,450	<b>87,249</b>	19,096
Service Director Community Planning and Resources	80 to 84	75,504	7,895	<b>83,399</b>	16,773
Service Director Asset Management and Culture	80 to 84	74,630	8,344	<b>82,974</b>	16,643
Service Director Human Resources	80 to 84	76,409	4,494	<b>80,903</b>	16,773
Service Director Neighbourhood and Environment	80 to 84	76,217	4,630	<b>80,847</b>	17,382
Service Director Finance	75 to 79	75,215	4,713	<b>79,928</b>	16,773
Service Director Legal and Democratic	75 to 79	75,215	3,701	<b>78,916</b>	17,403
Head of Strategic Regeneration, Housing & Development	55 to 59	55,863	2,620	<b>58,483</b>	12,316
Head of Strategy Development	55 to 59	52,601	3,267	<b>55,869</b>	12,316
		<b>1,137,712</b>	<b>75,956</b>	<b>1,213,668</b>	<b>256,856</b>

As part of their remuneration package Senior Officers can chose between being provided with a leased car or receiving a 6% salary supplement. The Other Benefits column in the table above includes either the taxable benefit of a leased car or the salary supplement.

After the last valuation of the East Riding Pension Scheme the council took the decision to meet the charge calculated by the actuary that was required to meet the deficit on the scheme by an increase in the rate of employer's contributions of about 6%. Some of the other employers within the scheme decided to make lump sum payments rather than increase their contribution rate. The employer's pension contribution figures in the tables above reflect the higher contribution rate. The different decisions made by the various employers in the scheme may make the direct comparison of employer's pension contributions difficult.

## 8. Related Parties

The council does not have any material transactions with related parties that are not disclosed elsewhere in the accounts. For more information on transactions related to officers' and members' interests please see note 36.

## 9. Audit Fees

	2008/09	2009/10
	£'000	£'000
Audit of Accounts	122	129
Use of Resources	94	96
Inspection	22	17
Grant Claims	67	55
	<u>305</u>	<u>297</u>

## 10. Deferred Credits

These credits are deferred capital receipts. They represent deferred income from mortgages relating to the sale of council houses. In 2009/10 £17k of deferred credits were transferred to the Capital Receipts Reserve.

## 11. General Fund Balance

The General Fund Balance is made up of two elements, one which is generally available to the Council to spend and one which is ring fenced for the use of schools. The overall general fund balance decreased by £636k in 2009/10. The balance on the generally available element has remained at £6,858k. The balance available to schools has decreased by £636k to £1,610k.

## 12. Analysis of the Statement of Movement on the General Fund Balance

This note provides additional analysis of the statement of movement on the general fund balance.

2008/09 £000		Note	2009/10 £000	
<b>11,257</b>	Deficit for the year on the Income and Expenditure Account			<b>62,361</b>
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>			
(23,667)	Depreciation and impairment of fixed assets	30(b)	(71,197)	
0	Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/ receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt		0	
6,934	Government Grants Deferred amortisation matching depreciation and impairments	30(b)	4,909	
(331)	Amortisation of Intangible Assets	30(b)	0	
(1,376)	Impairment of Financial Assets the recognition of which may be deferred		153	
206	Amount by which Council Tax income and residual community charge adjustment included in the Income and Expenditure Account is different from the amount taken to the General Fund in accordance with regulation.		364	
(1,671)	Revenue Expenditure Funded from Capital under Statute	14	(1,337)	
466	Net gain or (loss) on sale of fixed assets & other capital gains		419	
698	Net capital gain unrelated to sale of fixed assets	18	834	
(19,789)	Net charges made for retirement benefits in accordance with FRS 17	37	(21,646)	(87,501)
	<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>			
5,063	Minimum revenue provision for capital financing	30(b)	5,111	
33	Capital expenditure charged in-year to the General Fund Balance	30(b)	182	
18,512	Employer's contributions payable to the East Riding Pension Fund and retirement benefits payable direct to pensioners	37	19,247	
(137)	Transfer from Capital Receipts Reserve to meet payments to the Housing Capital Receipts Pool		(45)	24,495
	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>			
4,344	Net transfer to or (from) earmarked reserves	30(d)	1,281	1,281
	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year			<b>(61,725)</b>
<b>(10,715)</b>				<b>636</b>
<b>542</b>	(Surplus)/deficit for the year			<b>636</b>
(9,646)	General Fund Balance brought forward			(9,104)
542	(Surplus)/Deficit for the year			636
<b>(9,104)</b>	General Fund Balance carried forward			<b>(8,468)</b>
	<b>Analysis of the movement on the General Fund Balance for the year between the amount generally available to the authority and the net amount held by schools under local management schemes.</b>			
(190)	Balance generally available to the Authority (surplus)/deficit for the year			0
732	General Fund Balance held by schools (surplus)/deficit for the year			636
<b>542</b>				<b>636</b>

### 13. Summary of Capital Expenditure and Fixed Asset Disposals

	Other Land and Buildings £'000	Vehicles Plant & Equip £'000	Infrastructure £'000	Community £'000	Operational Assets £'000	Investment Properties £'000	Assets under Construction £'000	Surplus £'000	Non-Operational Assets £'000
<b>Valuation</b>									
01.04.2009	399,980	14,111	58,072	2,911	<b>475,074</b>	35,753	6,952	3,470	<b>46,175</b>
<b>Additions</b>	18,116	2,381	7,998	0	<b>28,495</b>	2,310	11,943	0	<b>14,253</b>
<b>Disposals</b>	(520)				<b>(520)</b>	(1,198)		(145)	<b>(1,343)</b>
<b>Reclassifications</b>	(11,205)			(175)	<b>(11,380)</b>	10,521	846	13	<b>11,380</b>
<b>Impairment</b>	(49,831)		(970)	(3)	<b>(50,804)</b>	(10,063)		(65)	<b>(10,128)</b>
<b>Revaluations</b>	17,112		13	2	<b>17,127</b>	11,955		3,573	<b>15,528</b>
01.04.2010	<b>373,652</b>	<b>16,492</b>	<b>65,113</b>	<b>2,735</b>	<b>457,992</b>	<b>49,278</b>	<b>19,741</b>	<b>6,846</b>	<b>75,865</b>
<b>Depreciation</b>									
01.04.2009	(44,320)	(7,681)	(10,994)	0	<b>(62,995)</b>	0	0	0	<b>0</b>
<b>In year</b>	(6,885)	(1,681)	(1,698)		<b>(10,264)</b>	0	0	0	<b>0</b>
01.04.2010	<b>(51,205)</b>	<b>(9,362)</b>	<b>(12,692)</b>	<b>0</b>	<b>(73,259)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Book Value</b>									
01.04.2009	355,660	6,430	47,078	2,911	412,079	35,753	6,952	3,470	46,175
01.04.2010	322,447	7,130	52,421	2,735	384,733	49,278	19,741	6,846	75,865

An analysis of total spending on fixed assets and deferred charges in year is shown below. A creditor has been created on the balance sheet for capital accruals where works had been carried out but not paid for at 31 March. Government grants and other contributions are likewise recorded on an accruals basis where there is reasonable certainty that the grant or contribution will be received. This is the first year in which all accruals have been financed.

### Spend per Service Area

2008/09 £000	Service Summary Capital Programme	2009/10 £000	2008/09 financing £000	2009/10 total £000
<b>Service Area</b>				
162	Adult Social Care	204	48	252
6,437	Asset Management & Culture	8,921	361	9,282
7,866	Children & Young Peoples Service	18,802	222	19,024
83	Community Planning & Resources	222		222
783	Corporate	2,344		2,344
10,848	Highways & Planning	8,142	739	8,881
6,500	Neighbourhood & Environment	7,053	1,084	8,137
146	LAA	0		0
<b>32,825</b>		<b>45,688</b>	<b>2,454</b>	<b>48,142</b>

### Capital Financing

2008/09 £'000	Financing	2009/10 £'000
6,295	Loans	13,500
17,308	Grants and Contributions	32,222
9,189	Capital Receipts	2,238
33	Revenue Reserves and Balances	182
<b>32,825</b>		<b>48,142</b>

### Spend per asset type

2008/09 Capital Cash £'000	Expenditure by Category	2009/10 Capital Payments £'000	2008/09 Capital Accruals £'000	2009/10 Capital Financing £'000
13	Council Housing			
11,133	Other Land & Buildings	18,115	689	18,804
1,815	Vehicles Plant & Equipment	2,381	109	2,490
9,345	Infrastructure	7,998	737	8,735
62	Intangible Assets	0	0	0
2,448	Investment Properties	2,310	2	2,312
3,416	Assets Under Construction	11,943	0	11,943
4,593	Revenue Expenditure Funded from Capital Under Statute	2,941	917	3,858
<b>32,825</b>	<b>Total for Financing</b>	<b>45,688</b>	<b>2,454</b>	<b>48,142</b>

#### 14. Revenue Expenditure Funded from Capital under Statute

Improvement grants are paid by the council to home owners in North Lincolnshire, who meet certain criteria, to carry out home improvements. In 2009/10 £1.6m of Improvement grants were paid to North Lincolnshire Council residents.

In 2009/10 £1.6m of Revenue Expenditure Funded from Capital under Statute were financed from grants the remaining £1.3m was financed from council resources.

#### 15. Commitments under Capital Contracts

The Council has approved expenditure in future years (2010-2011 to 2013-14) of £202.887m under its capital programme, of which £45.742m has been contracted. No expenditure in respect of these contracts is shown in the accounts. The remaining £157.145m relates to approved schemes that were not contracted at that date. Schemes approved to commence after 31 March 2010 will only proceed if financing is available at that time.

	Contracted at 31st March 2010 £'000	Not Contracted at 31st March 2010 £'000	Capital Programme 2010/11 - 2013/14 £'000
Adult Social Care	13	176	189
Asset Management & Culture	16,308	17,816	34,124
Children & Young Peoples Service	27,712	93,196	120,908
Corporate	536	4,094	4,629
Highways & Planning	733	25,296	26,030
Neighbourhood & Environment	440	15,736	16,176
Community Planning & Resource	0	831	831
	<hr/> 45,742	<hr/> 157,145	<hr/> 202,887

#### 16. Tangible Fixed Assets

The Council has the following fixed assets: -

##### **Operational Land and Buildings**

The Council owns or has an interest in a wide range of properties for the provision of its services in a number of locations. These include 79 schools, 6 Leisure Centres and Sports Halls, 1 theatre, 11 libraries, 1 golf course and 2 museums. Normanby Hall is not owned by the Authority but is leased from the Sheffield Family on a 99-year lease. In 2009/10 it was reclassified as a Heritage Asset and removed from the balance sheet.

##### **Offices**

Various office buildings on a wide range of sites. Included in this heading is one listed building, Pittwood House on Ashby Road in Scunthorpe.

##### **Other Properties**

These include 48 car parks, 21 public conveniences, various depots and stores, a crematorium and a mobile home site.

##### **Infrastructure & Community Assets**

The Council owns over 600 acres of parks and public open space, with a further 77 acres of allotments, 32 acres of land for highways purposes and 10 cemeteries on 8 sites. There are also a number of museum exhibits and civic regalia. Community assets are held in perpetuity, they have no determinable useful life, examples include museum exhibits.

Infrastructure assets inherited from Humberside County Council were initially valued at the value of outstanding debt as a proxy to establish historic cost. Since then any new assets are recognised at historic cost.

**Vehicles and Plant**

The Council now purchases the majority of its vehicles.

**Investment Property**

The Council holds various industrial plots and industrial units.

**Listed buildings**

Included in the above categories of asset are 15 listed buildings including Pittwood House, Frodingham Infants School and St. John’s Church in Scunthorpe which is part of the 20-21 Arts Centre, Baysgarth House and 51 Fleetgate in Barton, The Buttercross and part of St. John Nelthorpe School in Brigg, Normanby Hall and Epworth Youth Centre.

**17. Leases**

a) Lessees

In 2009/10 the council spent £0.94m on operating lease rentals (£1.09m in prior year). The Council does not have any finance leases. All leased assets are vehicles, plant and machinery.

Future commitments are: -

Within 1 year	£0.52m	(£0.64m prior year)
2-5 years	£1.09m	(£0.96m prior year)
More than 5 years	£0.07m	(£0.07m prior year)

b) Lessors

The Authority acted as lessor on assets with a gross value of £41.09m (£28.96m prior year). Income received from these leases was £3.3m (£3.5m prior year).

**18. Gains and losses on fixed assets**

2008/09		2009/10	
£'000	(Gains) / Losses on disposal of fixed assets	£'000	
1,548	Value of Asset disposals	1,862	
(2)	De Minimis Capital Receipts	(2)	
(2,014)	Capital Receipts	(2,281)	
(468)	(Gain)/ Loss on the disposal of fixed assets	(421)	

In addition the council received £834k of other capital receipts that are not related to the sale of fixed assets in 2009/10 (£698k in prior year). The largest single element of this figure is the capital receipt from North Lincolnshire Homes referred to in note 1.

**19. Valuation of Assets**





All asset valuations are subject to review as part of a five-year rolling revaluation programme, carried out by an external valuation officer from The District Valuer Service in conjunction with valuation officers from the council in accordance with RICS standards.

The council is required to assess its asset base for evidence of impairment. No impairment due to the accelerated consumption of economic benefit was identified in 2009/10. Whilst

there was a small net increase in property valuations in year this net figure was made up of some large upwards and large downwards valuations. Many of the downward valuations were below historic cost and have been recognised in the income and expenditure account. One of the largest changes to valuation was due to a change in the treatment of Normanby Hall. Previously it had been included in the other land and buildings category and valued at over £10m. In year its category was changed to Heritage Assets. Accounting regulations state that the asset should only be included in the balance sheet if its value can be reliably established and is useful. The valuer's professional opinion is that there was no reliable basis for valuation and as such it has been removed from the balance sheet. The impact of this decision has been to charge the Culture, Environmental, Regulatory & Planning service line of the Income and Expenditure Account with an impairment charge of £10.6m. The total value of schools has decreased by £18.9m with the largest movement being a decrease in value of Melior College. This decrease is because the school buildings are being replaced as part of the Building Schools for the Future (BSF) programme.

## **20. Depreciation of Assets**

Depreciation is provided for on all fixed assets with a finite useful life, which is determined at the time of acquisition or revaluation, according to the following policies:

-  The calculation uses the straight-line method based on their expected useful lives.
-  The remaining useful life of these assets is reviewed annually.
-  No depreciation is provided on land, community assets, non-operational investment property assets and assets in the course of construction.
-  No depreciation is provided on any asset in the year of acquisition.

## **21. Changes in Method of Depreciation**

There have been no material changes to either the methods of depreciation or estimated remaining useful life in 2009/10.

## **22. Intangible Assets**

The council has only capitalised software licenses under this heading. These assets are amortised on a straight line basis over the useful life of the asset. All remaining intangible assets were fully amortised in 2008/09 and no further intangible assets have been recognised in 2009/10.

## **23. Changes in the method of Amortisation of Intangible Assets**

There have been no changes to the method of amortisation of Intangible assets in 2009/10.

## **24. Analysis of Government grants (not attributable to specific services)**

Area Based Grant (ABG) is a non-ring-fenced general grant, no conditions on use is imposed as part of the grant determination ensuring full local control over how funding can be used. ABG is a general grant, which is therefore included in the Income and Expenditure Account with



other general income sources such as income from the collection fund and NDR distribution. A breakdown of general grants income by type of grant is presented below:-

	2008/09	2009/10
	£'000	£'000
Area Based Grant	(8,823)	(9,316)
Local Authority Business Growth Initiative Grant	(1,599)	(86)
Performance Reward Grant	(576)	(318)
Housing & Planning Delivery Grant	(15)	0
Revenue Support Grant	(6,981)	(11,216)
	<u>(17,994)</u>	<u>(20,936)</u>

## 25. Associated Companies-Humberside Airport

The only long-term investment the council holds is its shares in Humberside International Airport Limited. The value of the investment is shown at Fair Value. This is judged to be the cost of the Authority's share of the Airports share capital, £1.495m (17.288% of £8.65m). The net worth of the Airport at 31st March 2009 was -£3.1m (Prior year -£0.6m).

The company was set up under the Airports Act 1986 and started trading on 2nd November 1987. The principal activity of the company is to operate Humberside International Airport. On 1st April 1996, share capital held by the former Humberside County Council was apportioned between the four new authorities on the basis of their tax bases. The sale of Humberside International Airport Limited to Manchester Airport Plc was completed in June 1999. However, North Lincolnshire Council has retained its shareholding and as a shareholder remains ultimately responsible for its share of any profits or losses made by the company.

Agreements have been entered into with Humberside International Airport Limited to ensure the repayment of loans made by the council to the company. These agreements provide a level of exposure, which is acceptable to the council.

Accounts for Humberside Airport are available from: -

Humberside Airport
Humberside International Airport Ltd, Kirmington, North Lincolnshire, DN39 6YH.

As part of the Building Schools for the Future (BSF) programme in North Lincolnshire a company known as a Local Education Partnership (LEP) has been established. The company will be called Engage Limited. The council has invested £5k in the company and made a £50k loan.

## 26. Capital Instruments

The council does not hold any capital instruments. All temporary investments are cash deposits with financial institutions and long term borrowing is mainly through the Public Works Loans Board (PWLb).

## 27. Borrowing

	Range of Interest Rates Payable	Balance at 31.3.2009 £'000	Loans Raised £'000	Loans Repaid £'000	Accrued Interest £'000	Amortised Premium £'000	Balance at 31.3.2010 £'000
Public Works Loan Board (PWLB)	4.2 - 11.25%	114,065	0	(1,403)	96		112,758
Money Market Lenders	9.6875-12.00%	5,047	0	(31)	31		5,047
		<b>119,112</b>					<b>117,805</b>
Deferred premiums		(121)				22	(99)
		<b>118,991</b>	<b>0</b>	<b>(1,434)</b>	<b>127</b>	<b>22</b>	<b>117,706</b>

Accounting practice now requires the Council to disclose the Fair Value of its borrowing portfolio. The PWLB figure in the table below has been calculated by reference to the 'premature repayment' rates in force on that day. The Money Market Lenders figure has been calculated on the basis of the present value for the future cash flows due under the instrument, discounted at the rate available on that day, in relation to the same loan from a comparable lender.

Fair Value Debt at 31.3.2009 £'000		Fair Value Debt at 31.3.2010 £'000
135,042	Public Works Loan Board	125,329
7,551	Money Market Lenders	7,089
<b>142,593</b>		<b>132,418</b>

Maturity (Years)	2008/09		2009/10	
	£000	£000	£000	£000
< 1	1450		1,470	
<b>Short Term</b>		<b>1,450</b>		<b>1,470</b>
1 – 2	1,327		5,509	
2 – 5	8,605		5,010	
5 – 10	17,670		16,458	
10 – 15	8,501		14,840	
15 <	81,559		74,518	
Deferred Premiums	(121)		(99)	
<b>Long Term</b>		<b>117,541</b>		<b>116,236</b>
<b>Total</b>		<b>118,991</b>		<b>117,706</b>

In accordance with current accounting standards, premiums of £99k (£121k in prior year) paid on the premature repayment of debt incurred before 2006 have been combined with long term borrowing.

## 28. Provisions

The council maintains the following provisions:-

Provisions	2008/09	Contbn to/ (from)	2009/10
	£'000	£'000	£'000
Insurance Provisions	1,093	307	1,400
Inter Agency Adoption	147	(82)	65
Personal Education	23	22	45
Planning	80	(80)	0
<b>Total</b>	<b>1,343</b>	<b>167</b>	<b>1,510</b>

The Inter Agency Adoption provision is held to meet the costs of adoptions that are certain to take place during the following financial year.

The Personal Education provision is held to meet the costs of providing certain expenses for children in the council's care.

The Planning provision was used to meet the costs of a planning appeal.

## 29. Insurance Provisions

The council provides for all its known liabilities for insurance claims relating to current policies for employer's liability, public liability and property and policies previously with Independent Insurance. The provision is valued at the level advised by our loss adjustors. For clarity the movement on this provision is included in the preceding note. The timing of payments relating to this provision is highly uncertain.

### 30. Movement on Reserves

Reserve	Balance 31st March 2009	Net Movement in Year	Balance 31st March 2010	Purpose of Reserve	Further Detail of Movement
General Fund Balance	6,858	0	6,858	Resources available to meet future running costs for council services	
Schools Balances	<u>2,246</u>	<u>(636)</u>	<u>1,610</u>	Resources available to meet future running costs for the education service	
Total General Fund Balance	9,104	(636)	8,468		
Revaluation Reserve	43,525	32,656	76,181	Store of gains on revaluation of fixed assets not yet realised through sales.	See below (a)
Capital Adjustments Account	243,507	(61,706)	181,801	Store of capital resources set aside to meet past expenditure	See below (b)
Capital Receipts Reserve	1,000	599	1,599	Proceeds of fixed asset sales available to meet future capital investment	See below (c)
Deferred Credits	52	(17)	35		
Pensions Reserve	(161,419)	(161,498)	(322,917)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Defined Benefit Scheme Note
Financial Instruments Adjustment Account	(1,376)	153	(1,223)	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	
Collection Fund Adjustment Account	1,095	364	1,459	-	
Earmarked Reserves	10,813	1,281	12,094	-	See below (d)
	<u>146,301</u>	<u>(188,804)</u>	<u>(42,503)</u>		

a) Revaluation Reserve

Assets included in the balance sheet at current value are revalued every five years or when a material change occurs. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

2008/09 £'000		2009/10 £'000
(16,307)	Opening Balance	(43,525)
9,770	Impairment Revaluation	0
(36,988)	Revaluations in year	(32,656)
<b>(43,525)</b>	<b>Closing Balance</b>	<b>(76,181)</b>

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

b) Capital Adjustment Account

The movement in the Capital Adjustment Account is analysed below:-

2008/09 £000		2009/10 £000
249,890	<b>Balance brought forward at 1 April</b>	243,507
(9,507)	Depreciation	(10,264)
(14,160)	Impairment	(60,933)
<b>(23,667)</b>		<b>(71,197)</b>
(689)	Prior year adjustment	0
(1,548)	Sale of Tangible Fixed Assets	(1,863)
5,063	Minimum Revenue Provision	5,111
(331)	Intangible Assets - Amortised	0
6,934	Government Grants Deferred - Amortised	4,909
(1,671)	Revenue expenditure funded from capital written down	(1,337)
	Capital Financing:	
33	Capital expenditure charged to revenue	182
9,439	Capital Receipts	2,489
54	FARA error corrections in 09/10	0
<b>243,507</b>	<b>Balance Carried Forward at 31st March</b>	<b>181,801</b>

c) Capital Receipts Reserve

The movement in the usable capital receipts reserve is shown below:

2008/09 Total £'000		2009/10 Total £'000
7,839	Balance at 1 April	1,000
2,600	Amounts received in year	3,088
(9,439)	Amounts applied to finance new capital investment	(2,489)
<b>1,000</b>	<b>Balance at 31 March</b>	<b>1,599</b>

#### d) Earmarked Reserves

The council holds a number of reserves that are earmarked for specific purposes. The details of which, including the reason they are held, are given below:

Other Earmarked Reserves	2008/09	Contbn to/ (from)	2009/10
	£'000	£'000	£'000
Insurance	1,238	35	1,273
Building Control	231	(42)	189
Property Trading Account	572	(572)	0
Carry Forwards	583	(45)	538
Local Public Service Agreement	576	84	660
Minimum Revenue Provision	460	641	1,101
Revenue Support	4,081	1,143	5,224
LSVT Residual Costs	125	0	125
Financial Instrument Impairment	2,853	0	2,853
Other	94	37	131
<b>Total</b>	<b>10,813</b>	<b>1,281</b>	<b>12,094</b>

#### **Insurance**

This reserve is held to meet claims insured internally.

#### **Building Control**

This is the accumulated surplus from the operation of the Authority's Building Control Section.

#### **Property Trading Account**

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

#### **Carry Forward Reserve**

This reserve is earmarked for use by services whose budget under spends were used to create the reserve. The carry forward is made up of £334k for the development of general fund services and £204k relating to the pooled budgets.

#### **Revenue Support Reserve**

This reserve has been set aside to fund specific spending in particular the setup costs relating to the Waste Facility and Worksmart projects in future years as part of the council's medium term financial plan.

#### **Local Public Service Agreement (LPSA)**

This reserve has been established to fund specific expenditure relating to the Local Public Service Agreement.

#### **Minimum Revenue Provision (MRP)**

This reserve has been established to meet the additional costs the Council will incur in Minimum Revenue Provision charges because changes in accounting arrangements mean it is no longer possible to lease larger vehicles and they have had to be purchased.

### **Impairment**

This reserve has been established to meet the losses the council may incur due to the failure of the Icelandic Banks. There are a number of possible outcomes of the recovery process. Current advice is that a recovery of 94% and 80% of the funds lodged with Landsbanki and Heritable respectively should be recoverable. This reserve has been established at the current level based on what is seen as a worst case outcome.

### **Large Scale Voluntary Transfer (LSVT) Residual Costs**

Although the Housing Revenue Account closed on the 31<sup>st</sup> March 2008, this reserve has been maintained to meet the residual costs that the Council will have to bear. This includes the costs relating to the closure of the B Line operation. This reserve has not been utilised in 2009/10 but has been maintained at its 2008/09 level.

## **31. Contingent Assets and Liabilities**

As part of the agreement with North Lincolnshire Homes, an arrangement was entered into known as a VAT tax shelter. This arrangement entitles NLH to recover VAT on works enhancing its housing assets, which it would otherwise be unable to recover. The council will receive 17% of these receipts, equating to £7.6m, over ten years. The council will only receive its share if NLH undertakes this enhancement work. As such this is a contingent asset.

Also, as part of the transfer agreement the council will be paid the receipts NLH receive under the right to buy scheme, after deduction of NLH's reasonable expenses.

The council has one material uninsured contingent liability. This liability could result in payments totalling around £200k.

## **32. Authorisation of Accounts**

The accounts were authorised for release on the 22nd June 2010 by the council's chief financial officer, the Service Director Finance.

## **33. Post Balance Sheet Events**

There were no material post balance sheet events.

### 34. Trust Funds

The Council administers the Alderman Robinson Endowment Fund on behalf of Baysgarth School. While these funds do not form part of the Authority's Consolidated Balance Sheet they are reported here for information purposes.

2008/09		2009/10
£		£
186	Balance at Start of Year	353
167	Investment Income	0
<u>0</u>	Disbursements	<u>0</u>
353	Balance Carried Forward	353

As at the 31st March 2010 the market value of investments totalled £3,118 (£2,970 at 31st March 2009).

### 35. Schools Balances

Schools operate under the Local Management of Schools framework. They are able to carry forward any surplus or deficit funding to the next financial year. In 2009/10 North Lincolnshire schools carried forward a deficit of £636k. The schools element of the general fund balance carried forward is £1,610k.

### 36. Transactions with Related Parties

In 2009/10 payments to companies with whom members were a related party totalled £2k (£6k prior year). One member rented land from the council for £700 per annum (£700 prior year).

In 2009/10 payments to companies or individuals with whom officers were a related party totalled £1.1m (£172k prior year).

In 2009/10 payments to bodies with which members were a related party totalled £263k (£422k prior year).

Payments to Connexions Humber Ltd in 2009/10 totalled £710k (£1.2m prior year).

There was no outstanding debt, doubtful debts or amounts written off relating to any related parties.



Other declarations where the officer/member are representing North Lincolnshire Council are listed below:-

Councillor/Officer	Organisation
Councillor Susan Armitage	Member of Humberside Fire Authority
Councillor Sandra Bainbridge	Member of Humberside Fire Authority
Councillor Sandra Bainbridge	Member of North Lincolnshire Homes Board
Councillor Darrell Barkworth	Member of Humber Bridge Board
Councillor John Briggs	Member of Humberside Fire Authority
Councillor Arthur Bunyan	Trustee of Humber & Wold Rural Community Council
Councillor Peter Clark	Member of North Lincolnshire Homes Board
Jenny Couch	Corporation Board Member of John Leggott College
Councillor Andrea Davison	Member of the Safer Neighbourhood Strategy Board
Simon Driver (Chief Executive)	Member of the Local Strategic Partnership Board
Simon Driver (Chief Executive)	Director Connexions Humber Ltd
Simon Driver (Chief Executive)	Director Correct Compliance Ltd
Simon Driver (Chief Executive)	Corporation Board Member of John Leggott College
Councillor Len Foster	Member of North Lincolnshire Homes Board
Councillor Len Foster	Member of the Safer Neighbourhood Strategy Board
Councillor Tony Gosling	Member of Humber Bridge Board
Dave Hey	Member of the Safer Neighbourhood Strategy Board
Barry Hutchinson	Member of the Safer Neighbourhood Strategy Board
Denise Hyde	Member of the Safer Neighbourhood Strategy Board
Councillor Jawaid Ishaq	Member of Humberside Police Authority
Councillor Mark Kirk	Member of Humberside Police Authority
Councillor Mark Kirk	Member of Yorkshire and Humber Regional Transport Board
Councillor Mark Kirk	Member of Yorkshire Forward Regional Development Agency Board
Councillor Mark Kirk	Member of the Local Strategic Partnership Board
Councillor Mark Kirk	Director of Humberside International Airport
Neil Laminman	Member of the Safer Neighbourhood Strategy Board
Councillor Ali Mashook	Member of Humberside Fire Authority
Stuart Minto	Member of the Safer Neighbourhood Strategy Board
Kevin Moloney	Corporation Board Member of North Lindsey College
Geoff Popple	Corporation Board Member of North Lindsey College
Colin Saywell	Corporation Board Member of North Lindsey College
Councillor Margaret Sidell	Member of Humber Bridge Board
Councillor Alan Smith	Member of Humber Bridge Board
Councillor Alan Smith	Trustee of Humber & Wold Rural Community Council
Councillor Stephen Swift	Member of Humberside Fire Authority
Councillor Keith Vickers	Member of Humber Bridge Board
Councillor Rob Waltham	Member of North Lincolnshire Homes Board
Bruno Watson	Member of the Safer Neighbourhood Strategy Board
Councillor David Wells	Member of Humber Bridge Board
Councillor Stuart Wilson	Nominated Governor of Northern Lincolnshire and Goole Hospitals NHS Foundation Trust

### 37. Defined Benefit Final Salary Scheme

The Local Government terms and conditions require the council to offer retirement benefits to its employees. Although these benefits will not actually be payable until employees retire, the

authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The scheme to which the council's non-teaching employees belong is the Local Government Pension Scheme, administered by East Riding Council. This is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets. The fund is subject to a triennial valuation by independent actuaries. The last valuation took place in March 2007.

Local Government Pension Scheme		
	2008/09	2009/10
	£'000	£'000
<b>Net Cost of Services</b>		
· Current Service Cost	10,188	8,982
· Past service costs	3,767	464
· Settlements/Curtailments	(61)	115
<b>Net Operating Expenditure</b>		
· Pensions interest cost	27,391	27,186
· expected return on pensions assets	(21,496)	(15,101)
· Total Pensions interest cost and expected return on pensions assets	<u>5,895</u>	<u>12,085</u>
<b>Net Charge to the Income and Expenditure Account</b>	<b><u>19,789</u></b>	<b><u>21,646</u></b>
<b>Statement of Movement on the General Fund Balance:</b>		
· Reversal of net charges made for retirement benefits in accordance with FRS 17	<b><u>(19,789)</u></b>	<b><u>(21,646)</u></b>
<b>Actual Amount charged against council tax for pensions in the year:</b>		
· Employer's contributions payable to scheme	16,476	17,302
· Contributions in respect of Unfunded Benefits	2,036	1,945
	<b><u>18,512</u></b>	<b><u>19,247</u></b>

	Year to 31 Mar 2010	Year to 31 Mar 2009	Year to 31 Mar 2008	Year to 31 Mar 2007	Year to 31 Mar 2006	Year to 31 Mar 2005	Year to 31 Mar 2004	Year to 31 Mar 2003
	£(000)	£(000)	£(000)	£(000)	£(000)	£(000)	£(000)	£(000)
Difference Between the Expected and Actual Return on Assets (RA)	(234,494)	38,292	58,370	2,276	38,500	9,300	25,000	(47,300)
Above as a percentage of Assets (RA/A)	(71.4)%	16.9%	20.2%	0.8%	14.5%	4.5%	14.1%	(33.9)%
Experience Gains / (Losses) on Liabilities (EGL)	75,395	(92,535)	(23,916)	25,870	(50,180)	(68,300)	200	(11,300)
Above as a percentage of the present value of Liabilities (EGL/L)	(11.6)%	23.9%	6.1%	(6.0)%	11.5%	18.9%	(0.1)%	4.9%
Total Actuarial Gains / Losses Recognised in STRGL (RA + EGL)	(159,099)	(54,243)	34,454	28,146	(11,680)	(59,000)	25,200	(58,600)
Percentage of the Total Present Value of Liabilities	49.3%	33.6%	(32.5)%	(19.4)%	6.9%	38.2%	(26.6)%	63.8%
Cumulative Actuarial Gains / Losses	(254,822)	(95,723)	(41,480)	(75,934)	(104,080)	(92,400)	(33,400)	(58,600)
Fair Value of Assets (A)	328,490	226,563	289,347	283,977	265,990	206,100	177,900	139,600
Total Present Value of Liabilities (L)	<u>(651,407)</u>	<u>(387,982)</u>	<u>(395,246)</u>	<u>(429,065)</u>	<u>(435,000)</u>	<u>(360,500)</u>	<u>(272,700)</u>	<u>(231,500)</u>
Net liability in the scheme	<b><u>(322,917)</u></b>	<b><u>(161,419)</u></b>	<b><u>(105,899)</u></b>	<b><u>(145,088)</u></b>	<b><u>(169,010)</u></b>	<b><u>(154,400)</u></b>	<b><u>(94,800)</u></b>	<b><u>(91,900)</u></b>

The following assumptions have been made by the Actuary in his calculations.

Local Government Pension Scheme		
Actuarial Assumptions	2008/09	2009/10
Rate of inflation/ Pension Increase	3.1%	3.8%
Rate of increase in salaries	4.6%	5.3%
Expected Return on Assets	6.5%	7.3%
Rate for discounting scheme liabilities	6.9%	5.5%
<b>Long Term expected rate of return on assets in the scheme:</b>		
Equities	7.0%	7.8%
Bonds	5.4%	5.0%
Property	4.9%	5.8%
Cash	4.0%	4.8%
<b>Longevity at 65 for Current Pensioners</b>		
Men	21.5	22.7
Women	24.4	26.1
<b>Longevity at 65 for Future Pensioners</b>		
Men	22.6	24.8
Women	25.5	28.3
Take-up of option to convert annual pension into retirement lump sum	30.0%	30.0%

The assets of the pension fund at 31st March 2010 can be analysed into the following categories.

Pension Fund Assets analysis	2008/09	2009/10
Equity investments	77%	81%
Bonds	12%	10%
Property	5%	4%
Cash	6%	5%
	100%	100%

Local Government Pension Scheme		
	31st March 2009	31st March 2010
	£000's	£000's
Present value of Liabilities in scheme	(360,652)	(618,724)
Present value of unfunded benefits	(27,330)	(32,683)
Fair value of Assets in scheme	226,563	328,490
Net asset/liability	(161,419)	(322,917)

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2011 are £17.3m.

### 38. Defined Contribution Scheme

The council does not participate in a defined contribution scheme.

### 39. Teacher's Pension Scheme

In 2009/10 the Council paid £6.7 million (£6.6 million in prior year) to the Teachers' Pensions Agency in respect of teachers' pensions costs which represents 14.1% (14.1% in prior year) of teachers' pensionable pay.

### 40. Reconciliation between the I&E and Cash flow

2008/09		2009/10	
£'000		£'000	£'000
(14,273)	I&E Surplus/(Deficit) for the Year	(62,361)	
41,546	Amounts required by statute to be excluded	87,501	
(23,471)	Amounts required to be included by statute	(24,495)	
(4,344)	Transfers to or from the General Fund Balance	(1,281)	
			(636)
5,825	Collection Fund	8,133	
			8,133
	Non-cash items		
5,063	Capital Charges	5,111	
(17)	Provisions	167	
(137)	Appropriation from capital receipts	(45)	
33	Capital Financed from Revenue	182	
4,344	Contribution to/(from) Reserves	1,281	
(567)	Other non cash items	22	
			6,718
	Items on an Accruals Basis		
(23)	(increase)/decrease in stock	28	
(4,645)	(increase)/decrease in debtors	(1,289)	
(783)	increase/(decrease) in creditors	2,323	
	Items included in another classification		1,062
4,649	Servicing of finance	6,974	
			6,974
<b>13,200</b>	<b>Net Cash Inflow From Revenue Activities</b>		<b>22,251</b>

#### 41. Reconciliation of the movement in cash to net debt

Balance Sheet	2008/09 £'000	Movement £'000	2009/10 £'000
Long Term Borrowing	(117,541)	1,305	(116,236)
Short Term Borrowing	(1,450)	(20)	(1,470)
Short Term Investments	24,922	5,315	30,237
Cash in Hand	200	16	216
Bank Overdraft	(263)	(2,839)	(3,102)
	<b>(94,132)</b>	<b>3,777</b>	<b>(90,355)</b>
<b>Non cash adjustments</b>			
Amortisation of deferred premium		22	
Impairment		(153)	
Accrual of interest paid		(137)	
Accrual of interest received		(171)	
<b>Total</b>		<b>3,338</b>	
Cashflows	2009/10 £'000		
Revenue	22,251		
Servicing of Finance	(6,974)		
Capital Activities	(4,170)		
<b>Net cash inflow/(outflow) before financing</b>		11,107	
Other Liquid Resources		(7,769)	
<b>Total</b>		<b>3,338</b>	

#### 42. Reconciliation of Financing and related balance sheet items

	2008/09 £000	New loans £000	Loans repaid £000	Accrued Interest £000	Amortisation of deferred premiums £000	Repayment Accrual £000	2009/10 £000
Borrowing	(118,991)	0	1,170	137	(22)	0	(117,706)

#### 43. Liquid Resources

The only assets included in this section are the short-term investments that the Authority makes with various financial institutions.






	2008/09 £'000	Movement £'000	Interest Accrual £'000	Impairment £'000	2009/10 £'000
Short Term Investments	24,922	4,991	171	153	30,237

The other movement in liquid resources represents the cash received/paid on behalf of the National Non Domestic Rates Pool and the major preceptors on the Collection Fund. The analysis of this movement is shown below:

	NNDR Pool £'000	Preceptors Net Cash £'000	Total £'000
Collection Fund Adjustments	5,952	1,817	7,769

#### 44. Further narrative on the Cash Flow

The main movements on the cash flow statement show:

-  a net inflow from revenue activities
-  a net cash outflow from capital activities
-  a net decrease in borrowing
-  increased short term investments
-  a decrease in cash balances

#### 45. Government Grants included in the Cash Flow

2008/09 £'000		2009/10	
		£'000	£'000
90,945	Dedicated School Grants		92,380
50,149	Contribution from Non-Domestic Rate Pool		48,598
28,622	DWP Benefits Subsidy		34,781
8,823	Area Based Grant		9,312
6,981	Revenue Support Grant		11,217
	<b>Other Revenue Grants</b>		
19,902	Department for Children, Schools and Families	22,439	
16,056	Department of Communities and Local Government (DCLG)	6,231	
0	Department for Culture, Media and Sports	147	
11,253	Department for Work and Pensions (DWP)	14,419	
3,242	Learning & Skills (DCSF)	2,859	
1,848	North Lincs PCT	3,750	
646	Teacher Training Agency	635	
644	Youth Justice Board	661	
477	Department for Transport	637	
408	Department of Health General	767	
377	Lottery Fund	123	
314	Yorkshire Forward	527	
245	Department for Work and Pensions	240	
188	Other	215	
164	Arts Council	112	
156	Home Office	117	
68	Awards for all	17	
68	Rural Payments Agency	660	
45	Museums, Libraries & Archives Council	33	
26	Department for Environment, Food and Rural Affairs (DEFRA)	48	54,637
	<b>Capital Grants</b>		
6,012	Department for Children, Schools and Families	25,851	
4,306	Department for Transport	2,744	
3,683	Yorkshire Forward	2,480	
2,574	Department of Communities and Local Government (DCLG)	2,570	
962	Lottery/Big Boost	481	
282	Department for Environment, Food and Rural Affairs (DEFRA)	283	
231	Department of Health General	234	
59	Other Capital Grants	119	34,762
<b>259,756</b>	<b>Total Revenue Grants</b>		<b>285,687</b>

#### 46. Long Term Debtors

Long Term Debtors	2008/09	2009/10
	£'000	£'000
Airport	1,157	1,100
Local Education Partnership Loan	0	50
Car Loans	180	182
Mortgages	54	37
<b>Total</b>	<b>1,391</b>	<b>1,369</b>

#### 47. Stock and Work in Progress

Stock & Work in Progress	2008/09	2009/10
	£'000	£'000
Neighbourhood & Environment	220	251
Adult Physical Disability Store	52	30
Highways Stock	175	137
Leisure Services	31	31
Other Stocks and Stores	11	12
<b>Total</b>	<b>489</b>	<b>461</b>

#### 48. Temporary Investments

The council's temporary investments are all short term cash deposits with various financial institutions.

#### 49. Debtors

Other Debtors	2008/09	2009/10
	£'000	£'000
HM Revenues & Customs	1,191	3,616
Government Departments	9,425	13,654
Other Local Authorities	1,226	1,808
Local Taxpayers & NNDR	4,326	4,507
Other Debtors	12,417	10,677
Less Impairment	(2,873)	(3,825)
<b>Total</b>	<b>25,712</b>	<b>30,437</b>

#### 50. Creditors

Creditors	2008/09	2009/10
	£'000	£'000
HM Revenues & Customs	(3,147)	(3,174)
Government Departments	(4,439)	(6,621)
Other Local Authorities	(2,027)	(2,339)
Capital Grants - Unapplied	(6,712)	(12,822)
Other Creditors	(14,573)	(18,421)
<b>Total</b>	<b>(30,898)</b>	<b>(43,377)</b>

## 51. Short Term Borrowing

The only short term borrowing shown on the balance sheet is the element of long term borrowing that is repayable within the next 12 months.

## 52. Dedicated Schools Grant

The council's expenditure on schools is funded by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services, provided on an authority-wide basis, and for the Individual Schools Budget, which is divided into a budget share for each school. The council is able to supplement the Schools Budget from its own resources but has not done so in this financial year.

Details of the deployment of DSG receivable for 2009/10 are as follows:

	Central Budgets	Individual Schools Budgets	Total
	£'000	£'000	£'000
Final DSG for 2009/10			92,380
Brought forward from 2008/09			(207)
Carry forward to 2010/11 agreed in advance			0
Agreed budgeted distribution in 2009/10	13,191	78,982	92,173
Actual central expenditure	11,296		
Actual ISB deployed to schools		81,411	
Local authority contribution for 2009/10	622	0	622
Carry forward to 2010/11	<u>2,518</u>	<u>(2,429)</u>	<u>89</u>

## 53. Any other gains or losses required to be included in the Statement of Total Recognised Gains and Losses (STRGL)

There are no other gains and losses to be disclosed in the STRGL for 2009/10. The adjustments for 2008/09 are shown below:-

Analysis of any other gains and losses required to be included in the STRGL	Previous Year £'000
Movement in Collection Fund Balance	(378)
Adjustments to the Capital Adjustment Account	634
	<u>256</u>

## 54. Deferred Liabilities

In 1989 Scunthorpe Borough Council entered into a deferred purchase agreement with Morgan Grenfell relating to works on Market Hill flats, in Scunthorpe. North Lincolnshire Council inherited this agreement following the 1996 Local Government Reorganisation. The £3.0m principal element of this agreement was due to be repaid in 1998. Following negotiations it was agreed that the agreement could be extended and repaid in twelve £0.25m instalments. The final instalment was repaid in 2009/10.






## 55. Government Grants Deferred

When received, government grants and similar contributions made to finance capital schemes are credited to the government grant deferred account. They are then amortised to revenue on the same basis as the assets that they financed are depreciated. Grants received for the financing of an asset which is not depreciated are amortised to revenue immediately.

Government Grants Deferred	2008/09	2009/10
	£'000	£'000
Brought Forward	(46,806)	(52,998)
Amortised in year	6,934	6,512
Accounting Adjustments	934	0
Received in year	<u>(14,060)</u>	<u>(32,223)</u>
Carried Forward	<u>(52,998)</u>	<u>(78,709)</u>

## 56. Financial Instruments

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

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

The authority'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 and Impairment

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks and financial institutions unless they are on the council's approved list. The list is based on independent advice and an investment limit is set for every organisation. Further restrictions were put into effect following the difficulties in the banking sector.

At the point the difficulties in the Icelandic banking system became apparent the council had fixed term deposits totalling £5.5m with Heritable and Landsbanki banks. The deposits were made under standard contractual terms. These terms prevent early withdrawal of funds. These deposits are now frozen; the latest information available suggests 94% of the investments with Landsbanki and 80% of the investments with Heritable should be recoverable.

Accounting regulations require where it is probable that a payment under a contract will not be made the related asset must be written down. This writing down is known as impairment. The council's investments with Heritable and Landsbanki have therefore been impaired by £1.2m to reflect the potential loss of principal and an additional allowance reflecting the fact that recovery of the funds may be phased over a number of years. The government has allowed all the councils with deposits in Icelandic Institutions to delay recognising the resulting impairment charges relating to the principal element in their revenue accounts until 2010/11. For North Lincolnshire Council the element where recognition has been deferred totals the full £1.2m impairment.

In a change to the accounting treatment from 2008/09 no interest has been recognised in the 2009/10 accounts. This is due to interest not being material and the status of interest from Landsbanki is not clear.

Any sums outstanding from customers of the council are assessed for any evidence of impairment, taking into account the customers financial position, past experience and other factors. In 2009/10 this review resulted in £3.8m of impairment being recognised (£2.9m in prior year).

Impairment £000		2009/10	
		Total Debt £000	Impairment £000
1,701	Council Tax	4,510	1,882
505	Housing Benefit Over Payments	746	334
<u>663</u>	Sundry Debts	<u>6,661</u>	<u>1,609</u>
2,869		11,917	3,825

## Liquidity risk

As the authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The council has set the following maturity schedule of borrowing to mitigate against this risk:-





### **Maturity structure of borrowing**

	<b>Upper Limit</b>	<b>Lower Limit</b>
Under 12 months	15%	0%
12 months and within 24 months	15%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	90%	25%

### **Market risk**

#### Interest rate risk

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

-  borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise
-  borrowings at fixed rates – the fair value of the liabilities borrowings will fall
-  investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
-  investments at fixed rates – the fair value of the assets will fall.

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

The authority has a number of strategies for managing interest rate risk. Firstly the risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the authority's cost of borrowing and provides compensation for a proportion of any higher costs.

Secondly the treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget, and is tracked through monthly budget monitoring reports and periodic budget reviews.

If interest rate had been 1% higher during 2008/09 the council would have earned an additional £500k in interest on investments but due to the nature of its variable rate borrowing would not have incurred any additional interest until rates were above approximately 9%. If rates had been 1% lower the council would have earned no investment interest.

#### **Price risk**

The authority does not generally invest in equity shares but does have shareholdings to the value of £1.495m in Humberside Airport International Limited and £5k in Engage Limited, the Local Education Partnership. The authority is consequently exposed to losses arising from movements in the prices of the shares.

Financial Instruments Balances	Long term		Current	
	2008/09	2009/10	2008/09	2009/10
	£'000	£'000	£'000	£'000
Financial liabilities at amortised cost	(117,791)	(116,236)	(32,611)	(47,949)
Financial liabilities at fair value through profit and loss	0	0	0	0
<b>Total Borrowings</b>	<b>(117,791)</b>	<b>(116,236)</b>	<b>(32,611)</b>	<b>(47,949)</b>
Loans and receivables	1,391	1,369	50,834	60,890
Available for sale financial assets	1,495	1,500	0	0
<b>Total Investments</b>	<b>2,886</b>	<b>2,869</b>	<b>50,834</b>	<b>60,890</b>

Gains and Losses on Financial Instruments	2008/09 Total	Financial Liabilities	Financial Assets		2009/10 Total
		Liabilities measured at amortised cost	Loans and receivables	Available for sale assets	
Interest Expense	7,182	6,967	0	0	6,967
Losses on Derecognition	0	0	0	0	0
Impairment Losses/(Gains)	1,647	0	(152)	0	(152)
<b>Interest payable and similar charges</b>	<b>8,829</b>	<b>6,967</b>	<b>(152)</b>	<b>0</b>	<b>6,815</b>
Interest income	(2,900)	0	(302)	0	(302)
Gains on derecognition	0	0	0	0	0
<b>Interest and Investment Income</b>	<b>(2,900)</b>	<b>0</b>	<b>(302)</b>	<b>0</b>	<b>(302)</b>
Gains on revaluation	0	0	0	0	0
Losses on revaluation	0	0	0	0	0
Amounts recycled to the I&E account after impairment	0	0	0	0	0
<b>Surplus arising on revaluation of financial assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net gain/(loss) for the year</b>	<b>5,929</b>	<b>6,967</b>	<b>(454)</b>	<b>0</b>	<b>6,513</b>

## 57. Acquired Operations

In August 2009 the council took over responsibility for the service offered by Connexions in this area. Whilst the staff are now council employees the costs of service provision were already paid by the council and so the costs are not shown separately on the income and expenditure account.

## Collection Fund Account 2009/10

2008/09 £'000	COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT	Note	2009/10 £'000
<b>INCOME</b>			
63,508	Income from Council Tax (net of benefits)		65,439
11,099	Transfer from General Fund Council Tax Benefits		12,505
68,918	Income collectable from non-domestic rate payers	CFA2	70,048
<u>143,525</u>			<u>147,992</u>
<b>EXPENDITURE</b>			
Precepts and Demands			
61,687	North Lincolnshire Council (including parish and town council precepts)	CFA3	64,462
7,862	Humberside Police Authority	CFA3	8,225
3,711	Humberside Fire & Rescue Authority	CFA3	3,882
Non-Domestic Rates			
68,672	Payment to national pool	CFA2	69,799
246	Costs of collection	CFA2	249
Bad and doubtful debts			
283	Write offs		142
50	Provisions		208
Contributions			
362	North Lincolnshire Council's precept for estimated collection fund surplus	CFA3	499
46	Humberside Police Authority share of collection fund surplus		64
22	Humberside Fire Authority share of collection fund surplus		30
<u>142,941</u>			<u>147,560</u>
(584)	<b>(SURPLUS)/DEFICIT FOR THE YEAR</b>		(432)
(717)	<b>(Surplus)/Deficit brought forward at 1 April 2009</b>		(1,301)
<u>(1,301)</u>	<b>(SURPLUS)/DEFICIT CARRIED FORWARD AT 31 MARCH 2010</b>		<u>(1,733)</u>

## Notes to the Collection Fund Account 2009/10

### 1. Council Tax Base

Council tax charges are raised on residential properties, which are allocated into eight bands based on their value as at 1st April 1991. Prior to each financial year, an estimate is made of the amount of income to be taken from the Collection Fund by the Council, the Humberside Police Authority and the Humberside Fire and Rescue Service. This amount is divided by the Council Tax base to arrive at a charge per Band D equivalent property. The Council Tax base is calculated by taking the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) and converting this to an equivalent number of Band D dwellings. For 2009/10, the Council Tax base was calculated as follows:

Property Type	Band D Equivalents
Band A	19,550.3
Band B	9,794.8
Band C	8,523.0
Band D	6,473.1
Band E	3,826.6
Band F	1,748.4
Band G	656.2
Band H	23.5
Ministry of Defence	45.4
<b>Total</b>	<b>50,641.3</b>

### 2. National Non Domestic Rates (NNDR)

Local businesses pay non-domestic rates, which are calculated by taking their rateable value and multiplying it by the amount specified by the Government for that year, then deducting any relief and allowances that may be applicable. The total non-domestic rateable value at the 31st March 2009 was £162.2m (£160.46m prior year) and the NNDR multiplier for the year was 40.7p for small businesses and 41.4p for other businesses (45.8p for small businesses and 46.2p for other businesses in the prior year).

The Council collects the rates due from ratepayers in its area and, after deducting any allowances for the costs of collection and various allowable discounts, pays the proceeds into the NNDR pool administered by the government. The relationship between gross rateable value and actual payments to the Government is shown in the table below.

2008/09 £000	National Non-Domestic Rates (NDR / NNDR)	2009/10 £000
73,988	Gross Amount Due	79,857
(2,212)	Charity, etc, Relief	(2,896)
907	Transitional Relief	(357)
(2,354)	Empty and Part Occupation Relief	(2,558)
(1,303)	Bad Debts, provision and write offs	(3,841)
(108)	Interest on Overpayments	(157)
<b>68,918</b>	<b>Net Amount Collectable</b>	<b>70,048</b>
(246)	Cost of Collection Allowance Payable to General Fund	(249)
<b>68,672</b>	<b>Amount Payable to NNDR Pool</b>	<b>69,799</b>

### 3. Precepts and Demands

The table below sets out for the council and other major precepting bodies the demand or precepts on the collection fund. It also sets out each organisations share of the surplus on the collection fund at 31st March 2010.

2008/09 Total	Authority	Precept/ Demand	Share of 31 March 2010 Surplus	2009/2010 Total
61,687	North Lincolnshire Council	64,462	499	64,961
7,908	Humberside Police Authority	8,225	64	8,289
3,733	Humberside Fire Authority	3,882	30	3,912
<b>73,328</b>	<b>Total</b>	<b>76,569</b>	<b>593</b>	<b>77,162</b>

# Glossary of Financial Terms

## Financial Abbreviations

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

## Glossary

### **Accounting Policies**

Those principles, bases, conventions, rules and practices applied by the council that specify how the effects of transactions and other events are to be reflected in its financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented.

### **Accruals**

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

### **Amortisation**

The writing off of a balance over a period matching the consumption of its economic benefit.

### **Balances**

Reserves held by the Council at the end of the financial year.

### **Capital Adjustments Account**

This account reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them

### **Capital Expenditure**

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

### **Capital Expenditure charged to a Revenue Account (CERA)**

This is a method of financing capital expenditure directly from revenue.

### **Capital Receipts**

Income received from the sale of capital assets. Housing capital receipts from the sale of Council houses are now subject to a pooling arrangement and 75% are paid to the Department of Communities and Local Government (DCLG).



**Collection Fund**

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

**Community Assets**

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

**Consistency**

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

**Balance Sheet (BS)**

Summary of the overall financial position of the Council at the end of the financial year.

**Contingent Liabilities**

A contingent liability is either:

- (i) A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
- (ii) A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

**Creditors**

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

**Current Assets**

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

**Current Liabilities**

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

**Curtailements (Pension)**

A curtailment is an event that reduces the expected years of future service of present employees, or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Examples might include a redundancy programme as a result of e.g. closing a factory or the introduction of a defined contribution pension arrangement covering all employees for future service.

**De minimis**

An immaterial amount or balance.

**Debtors**

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

**Dedicated Schools Grant (DSG)**

School funding for local authorities in England is provided by a ring fenced grant called Dedicated Schools Grant (DSG).

**Deferred Charges**

Deferred Charges are expenditure that may properly be capitalised, and results in an asset that is not owned by the Council. Examples are expenditure on items such as improvement grants and the purchase of some assets under the Local Area Agreement.

**Deferred Credits**

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

**Deferred Liabilities**

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

**Depreciation**

Is the measure of the wearing out, consumption, or other reduction in the useful life of a fixed asset, whether arising from use, over time or obsolescence through technological or other changes.

**Exceptional Items**

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

**Extraordinary Items**

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

**Fees and Charges**

Income arising from the provision of services.

**Financial Reporting Standards (FRSs)**

Statements prepared by the Accounting Standards Board. Many of the Financial Reporting Standards (FRSs) and the earlier Statements of Standard Accounting Practice (SSAPs) apply to local authorities and any departure from these must be disclosed in the published accounts.

**Financial Year**

This is the period of time to which a Statement of Accounts relates. The financial year of the Council runs from 1st April to 31st March.

**Fixed Assets**

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

**Formula Spending Share (FSS)**

Government assessment of the appropriate amount of revenue expenditure which would allow authorities to provide a standard level of service, consistent with the Government's view of the appropriate amount of revenue expenditure for all authorities. FSSs are calculated each year for all authorities and are used to determine the amount of Revenue Support Grant to be provided by Government to local authorities.

**General Fund**

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

**Going Concern**

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

**Government Grants**

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

**Impairment**

Impairment represents the clear consumption of economic benefits (e.g. storm damage). Impairment losses are also chargeable where there is no accumulated revaluation gain for an asset that can absorb any loss due to general changes in prices.

**Income and Expenditure Account (I&E)**

Report of the net costs for the year of all the functions for which the Council is responsible.

**Intangible Asset**

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

**Infrastructure Assets**

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

**Investment Properties**

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

**Leasing**

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

**Liquid Resources**

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

**Long Term Borrowing**

Amounts repayable in more than 12 months.

**Long Term Investments**

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

**Minimum Revenue Provision (MRP)**

Minimum amount which must be charged to a Council's revenue account each year for the repayment of principal.

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

Amounts payable to the Council from non-domestic properties. The rate poundage is set nationally and amounts collected by local authorities are pooled and then redistributed by the Government to authorities based on the local resident population.

**Net Book Value (NBV)**

Amount at which fixed assets are included in the balance sheet, i.e., their historical cost or current value less the cumulative amounts provided for depreciation.

**Net Current Replacement Cost**

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

**Net Realisable Value**

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

**Non-Operational Assets**

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

**Operational Assets**

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

**Post Balance Sheet Events**

Events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

**Precept**

Demands made upon the collection fund by the authorities which it directly funds, i.e. North Lincolnshire Council, Humberside Police and Humberside Fire and Rescue Service for the services

they provide. Parish Councils also raise precepts which are paid by North Lincolnshire Council and included within the Precept it levies on the collection fund.

**Provisions**

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

**Prudence**

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

**Public Works Loan Board (PWLB)**

Central Government Agency, which lends money to local authorities usually at interest rates which are more favourable than those found elsewhere.

**Reserves**

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

**Revaluation Reserve**

This is an account containing any surpluses arising from the revaluation of fixed assets. It replaces the Fixed Asset Restatement Account.

**Revenue Expenditure**

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

**Tangible Fixed Assets**

These are assets that have a useful life of over one year and are material or physical.

**Revenue Support Grant (RSG)**

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

**Settlement (Pension)**

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

**Short Term Borrowing**

This is borrowing repayable on demand or within 12 months.

**Statement of Recommended Practice (SORP)**

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

**Useful Life**

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