Report of the Director of Policy & Resources

Agenda Item No:
Meeting: 27 September 2012

**NORTH LINCOLNSHIRE COUNCIL**

**AUDIT COMMITTEE**

**AUDIT OF ACCOUNTS 2011/12**
**MATTERS ARISING FROM THE AUDIT**

## 1. OBJECT AND KEY POINTS IN THIS REPORT

1.1 The council's unaudited accounts were approved by the Director of Policy and Resources on 29 June 2012. This met the statutory requirement that they be approved by 30 June 2012.

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

1.3 The accounts have since been audited and the external auditors have set out their findings in a report. This committee now needs to consider the proposed amendments and approve the changes to the accounts that result from it. It is a requirement that this process concludes by 30 September 2012.

1.4 Some amendments are required to the accounts. However they do not change the position previously reported to Cabinet, in terms of the General Fund or balances available.

1.5 The council's external auditors expect to issue an unqualified opinion on the accounts shortly.

## 2. BACKGROUND INFORMATION

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

2.2 These accounts have to be considered and approved by the Council's Chief Financial Officer by 30 June. They must then be audited and published within six months of the financial year-end or 30 September. These deadlines are government requirements.

2.3 Including for this year and in any future years where major accounting policy changes take place, restated balance sheet for the previous 2 years to assist comparability & consistency. This year the Code of Practice introduced changes to the accounting for Heritage Assets. This is a major accounting policy change and required restated balance sheets for the previous 2 years.

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

2.5 The report from the Audit Commission is attached. It sets out the matters arising from the audit of the council's 2011/12 accounts. I am in agreement with its findings. Staff from the Audit Commission will present the report to Committee. A copy of the restated accounts is included with this report.

2.6 The main findings of the report are:
- that an unqualified opinion on the council's accounts is expected.
- that the closedown process has met the necessary statutory deadlines.
- a number of adjustments are recommended to the accounts, of which the majority are minor.

2.7 The main issues resulting from the audit are as follows:-

- A number of issues were found with Property, Plant and Equipment balances. They change the balance sheet figures and the underlying note. These were due to the difficulty of reconciling the information provided by the Technology Forge System with the Accounting Requirements.
- The accrual required for Teachers pay was understated.
- A number of minor disclosure note changes were identified and corrected.

2.8 International Standard on Auditing 580 'Management Representations' requires auditors to obtain written confirmations of appropriate representations from management before the audit report is issued. Additionally IAS 570 requires a specific statement on the applicability of the 'Going Concern' concept to the council. The accounts have been prepared on a going concern basis. The Audit Committee are asked to confirm their agreement with this view.

2.9 A proposed letter of representation is attached, which the Committee is asked to approve and authorise the Chair of the Audit Committee and the Director of Policy and Resources to sign.

2.10 The Audit Commission have also included recommendations and an accompanying action plan which also requires approval.

## 3. OPTIONS FOR CONSIDERATION

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

3.2 The Audit Committee are also invited to approve the action plan contained in the Annual Governance Report and endorse the signing of the Letter of Representation.

## 4. ANALYSIS OF OPTIONS

4.1 Statutorily the accounts must be approved by the 30th September. The Committee should ask sufficient questions to gain assurance that the accounts present fairly the financial position of the council.

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

5.1 The accounts present the council's financial position as at 31 March 2012. There are no other resource implications.

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

6.1 The Accounts and Audit Regulations 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 IFRS Code of Practice issued by CIPFA.

## 7. OUTCOMES OF CONSULTATION

7.1 None

## 8. RECOMMENDATIONS

8.1 That the Statement of Accounts for 2011/12 prepared on a going-concern basis and as amended in line with the Auditor's recommendation be received and approved.

8.2 That the action plan contained in the Annual Governance Report be approved.

8.3 The Audit Committee endorse the signing of the Letter of Representation by the Chair of the Audit Committee and the Director of Policy and Resources.

DIRECTOR OF POLICY AND RESOURCES

Civic Centre
Ashby Road
SCUNTHORPE
North Lincolnshire
DN16 1AB
Author: Mark Kitching
Date: 03/09/12

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

# Annual governance report

**North Lincolnshire Council**

**Audit 2011/12**

# Contents

# Key messages

**This report summarises the findings from the 2011/12 audit, which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.**

## Financial statements

- I plan to issue an audit report including an unqualified opinion on the financial statements.
- I identified a number of errors and omissions in the draft accounts prepared by the Council.
- Working papers provided in support of the accounts were generally good. However, deficiencies in the information provided by Technology Forge to support the Property Plant and Equipment note and associated accounting entries resulted in a number of amendments to the accounts.
- After amendment the financial statements complied with the relevant accounting standards.

## Value for money (VFM)

I expect to conclude that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

- I plan to issue an unqualified value for money conclusion.
- Your arrangements aim to secure financial resilience whilst responding to significant reductions in government grant funding.
- Proper arrangements are in place for challenging economy, efficiency and effectiveness in your use of resources.

# Before I give my opinion and conclusion

**My report includes only matters of governance interest that have come to my attention in performing my audit. I have not designed my audit to identify all matters that might be relevant to you.**

## Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence. I have identified the following relationship that might affect objectivity and independence and have put proper safeguards in place.

Table 1: **Relationship and Safeguard**

| Relationship | Safeguard |
|---|---|
| Principal Auditor, Sherie Newboult, is a former employee of the Council having worked in the Education Department. | Close manager supervision of any audit work involving Education or former colleagues' work. |

## I ask the Audit Committee to:

- take note of the adjustments to the financial statements included in this report (appendix 2);
- approve the letter of representation (appendix 3), on behalf of the Council before I issue my opinion and conclusion; and
- agree your response to the proposed action plan (appendix 5).

# Financial statements

**The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As elected Members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.**

## Opinion on the financial statements

Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

## Uncorrected errors

There are no uncorrected errors.

## Corrected errors

A number of errors were found during the audit that management have now corrected.  None of the errors impact on the overall financial position of the Council, although some of the changes are significant in value. The material errors are listed at Appendix 3 and relate to changes to the analysis of Property Plant and Equipment and their impact on the Comprehensive Income and Expenditure Account and on unusable reserves.  The Council's asset register provides good information to manage assets, but the accounting information requires significant manual intervention, increasing the risk of error in the financial statements. Members may recall similar problems in the 2011/12 financial statements.

Amendments to the notes to the accounts also included:

- Understatement in the accumulated absence accrual increasing the accrual from £1.4million to £3.7million in the re-stated accounts also impacting on Childrens and Educational Services ;
- Amendments to Notes 9,11,12,13,16,22,24,25,26,27,41,46 and 55, mainly reclassification of items disclosed; and.
- A number of corrections to textual information.

| Recommendation | |
|---|---|
| **R1** | The council needs to review the effectiveness of the Technology Forge accounting package in providing accounting information for the ledger to ensure that the complex accounting transactions are processes correctly. |

## Significant risks and my findings

I reported one significant risk relevant to my audit of your financial statements in my audit plan. My findings are in Table 2 below.

Table 2: **Risks and findings**

| Risk | Finding |
|---|---|
| Accounting for Pensions Costs | I evaluated the design and implementation of arrangements for ensuring the accuracy of information sent to the actuary and the pension contributions paid. The controls involved helped ensure that risks of uncertainty in estimating the pension liability are minimised.<br>I have no matters to report. |

## Significant weaknesses in internal control

It is the Council's responsibility to establish adequate systems of internal financial control, including proper arrangements to manage their effectiveness in practice. My responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice. I test the Council's controls only to the extent necessary for me to complete my audit. I am not expressing an opinion on the overall effectiveness of internal control.

I found no significant weaknesses, although I have made recommendations to strengthen controls over credit rating checks on investment deposits and in revaluing enhanced fixed assets. These have been agreed by officers.

I have reviewed the Annual Governance Statement and can confirm that:

- it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- it is consistent with other information that I am aware of from my audit of the financial statements.

## Other matters

I am required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Council's financial reporting process including the following.

- Qualitative aspects of your accounting practices.
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions.
- Other audit matters of governance interest.

I have no matters to report

## Whole of Government Accounts

Alongside my work on the financial statements, I also review and report to the National Audit Office on your Whole of Government Accounts return. As at 10th September 2012 I have not completed the procedures specified by the National Audit Office. I expect to complete my report by the end of September.

# Value for money

**I am required to conclude whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is the value for money conclusion.**

I assess your arrangements against the two criteria specified by the Commission published by the Audit Commission in October 2011. These are whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

In my Audit Plan I indicated my work would focus on the:

- delivery of your 2011/12 savings plans;
- impact on operational services of your redundancy programme; and
- realism of you future financial plans.

I have no matters I wish to report to you. I intend to issue an unqualified conclusion stating that the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. I include my draft conclusion in Appendix 1.

# Fees

## I reported my planned audit fee in the February 2012 Audit Plan.

I will complete the audit within the planned fee.

# Appendix 1 – Draft independent auditor's report

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTH LINCOLNSHIRE COUNCIL**

**Opinion on the Council financial statements**

I have audited the financial statements of North Lincolnshire Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom 2011/12.

This report is made solely to the members of North Lincolnshire Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

**Respective responsibilities of the Director of Policy and Resources and auditor**

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

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

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

In addition, I read all the financial and non-financial information in the explanatory foreword and the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

**Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the financial position of North Lincolnshire Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom 2011/12.

**Opinion on other matters**

In my opinion, the information given in the explanatory foreword and the content of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which I report by exception**

I report to you if

- in my opinion the annual governance statement does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

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

### Respective responsibilities of the Council and the auditor

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

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

**Conclusion**

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects North Lincolnshire Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

**Delay in certification of completion of the audit**

I cannot formally conclude the audit and issue an audit certificate until I have completed the work necessary to issue my assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. I am satisfied that this work does not have a material effect on the financial statements or on my value for money conclusion.

Damian Murray

District Auditor & Engagement Lead
3 Leeds City Office Park
Holbeck
Leeds
LS11 5BD

27th September 2012

# Appendix 2 – Major Corrected errors

I identified the following errors during the audit which management have addressed in the revised financial statements.

| | | Statement of Comprehensive Income and Expenditure (CIES) | | Balance sheet | | Total |
|---|---|---|---|---|---|---|
| **Item of account** | **Nature of error** | **Dr £'000s** | **Cr £'000** | **Dr £'000s** | **Cr £'000s** | **£'000s** |
| CIES | Reduction is impairment charged to services | | 2,857 | | | -2,857 |
| CIES and Note 9 | Increase in other operating expenditure carrying value of assets disposed | | 11,213 | | | -11,213 |
| CIES | Surplus on the revaluation of non current assets | 14,550 | | | | 14,550 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Note 24 Capital Adjustment Account | Amendment to unusable reserves | | | | -17239 | -17,239 |
| Revaluation Reserve | See Above | | | 16,759 | | 16,759 |
| **Total** | | **14,550** | **-14,070** | **16,759** | **-17,239** | **Nil** |

# Appendix 3 – Draft letter of management representation

**North Lincolnshire Council Financial Statements for the Year ended 31 March 2012**

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers and members of North Lincolnshire Council, the following representations given to you in connection with your audit of the Council's financial statements for the year 2011/12 ended 31st March 2012.

**Compliance with the statutory authorities**

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Council Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Council, for the completeness of the information provided to you, and for making accurate representations to you.

**Supporting records**

I have made available all relevant information and access to persons within the Council for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the Council.

**Internal control**

I have communicated to you all deficiencies in internal control of which I am aware.

**Irregularities**

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk the financial statements may be materially misstated as a result of fraud.

**Law, regulations, contractual arrangements and codes of practice**

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other Council.  The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

**Accounting estimates including fair values**

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

I confirm:

- the appropriateness of the measurement method, including related assumptions and models, and the consistency in application of the method;
- the assumptions appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Council, where relevant to the accounting estimates and disclosures;
- the disclosures relating to the accounting estimate are complete and appropriate under the Code; and
- that no subsequent event requires the Council to adjust the accounting estimate and related disclosures included in the financial statements.

**Unfunded Pension Liabilities**

There are no other material amounts relating to unfunded liabilities, curtailments or settlements of past service costs relating to pension provision other than those which have been properly recorded and disclosed in the financial statements.

**Contingent Liabilities**

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

**Related party transactions**

I confirm that I have disclosed the identity of the Council's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the Code.

**Subsequent events**

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

**Specific Representations**

I can confirm that:

- All schemes relevant contracts containing service concessions have been considered and identified in light of IFRIC 12, and all relevant disclosures made.
- Since 1996 the Council has agreed and delivered annual maintenance programmes for the assets classified as infrastructure in the accounts such that no impairment in value is necessary. This includes the assets to the value of £17.6 million transferred to the Council in 1996 from the Humberside County Council and now valued at approximately £11 million. B/F issue uncertainty in the value of Infrastructure assets transferred from Humberside.

Signed

Director of Policy and Resources

North Lincolnshire Council

Signed

Chair of the Audit Committee

North Lincolnshire Council

# Appendix 4 – Glossary

**Annual Audit Letter**

Letter issued by the auditor to the Council after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

**Annual Governance Report**

The auditor's report on matters arising from the audit of the financial statements presented to those charged with governance before the auditor issues their opinion [and conclusion].

**Annual Governance Statement**

The annual report on the Council's systems of internal control that supports the achievement of the Council's policies aims and objectives.

**Audit of the accounts**

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

**Audited body**

A body to which the Audit Commission is responsible for appointing the external auditor.

**Auditing Practices Board (APB)**

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

**Auditing standards**

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

**Auditor(s)**

Auditors appointed by the Audit Commission.

**Code (the)**

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

**Commission (the)**

The Audit Commission for Local Authorities and the National Health Service in England.

**Ethical Standards**

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

**Financial statements**

The annual statement of accounts that the Council is required to prepare, which report the financial performance and financial position of the Council in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Council Accounting in the United Kingdom.

**Group accounts**

Consolidated financial statements of an Council and its subsidiaries, associates and jointly controlled entities.

**Internal control**

The whole system of controls, financial and otherwise, that the Council establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

**Materiality**

The APB defines this concept as 'an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor's report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the financial statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects'.

The term 'materiality' applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

**Significance**

The concept of 'significance' applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the financial statements. Significance has both qualitative and quantitative aspects.

**Those charged with governance**

Those entrusted with the supervision, control and direction of the Council. This term includes the members of the Council and its Audit Committee.

**Whole of Government Accounts**

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Council must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its financial statements.

# Appendix 5 – Action plan

| Recommendations | |
|---|---|
| **Recommendation 1** | |
| The council needs to review the effectiveness of the Technology Forge accounting package in providing accounting information for the ledger to ensure that the complex accounting transactions are processes correctly | |
| **Responsibility** | Corporate finance Manager |
| **Priority** | High |
| **Date** | December 2012 |
| **Comments** | The Council will review its arrangements for the Accounting for Property, Plant & Equipment (PPE). This review will consider the timing of the process and a range of technical changes. |

If you require a copy of this document in an alternative format or in a language other than English, please call:
**0844 798 7070**



The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

www.audit-commission.gov.uk

**September 2012**

# North Lincolnshire Council
# Statement of Accounts
Financial Year 2011/12

# Contents

# Foreword

These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code). It is the purpose of this foreword to explain, in an easily understandable way the financial facts in relation to the Authority. Comparative figures have been re-stated to take account of changes in accounting requirements as a result of the introduction of the Code.

This Statement of Accounts explains North Lincolnshire Council's finances during the financial year 2011/12 and its financial position at the end of that year. It follows approved accounting standards and is necessarily technical in parts.

The Explanatory Foreword is not part of the financial statements but is prepared on the basis that it is consistent with the financial statements.

## Main Statements

### The Movement in Reserves Statement

This Statement, as set out on page 17 shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Summary (CIES). These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The 'Net increase /Decrease before transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

The Movement on Reserves Statement takes the surplus from the CIES and adjusts this figure back to the actual movement on the General Fund Balance. The movement is a £1.74m surplus which is purely on the Schools Balances element of the General Fund Balance. There was no movement on the council's general balances. This can be seen in the table below.

| | General Balances £,000 | Schools Balances £,000 | Total Balances £,000 |
|---|---|---|---|
| Opening Balance | 6,858 | 1,157 | 8,015 |
| Movement in year Surplus/(Deficit) | 0 | 1,744 | 1,744 |
| Closing Balance | 6,858 | 2,901 | 9,759 |

In addition £3.2m has been set aside in Earmarked Reserves.

## Comprehensive Income and Expenditure Summary (CIES)

This statement, as set out on page 18 shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The Total Comprehensive Income and Expenditure shown on the Comprehensive Income and Expenditure Statement (CIES) shows a £54.7m deficit. This is due to some of the entries that are required by International Financial Reporting Standards. The statutory requirements under which the accounts are prepared means a series of adjustments are required to the balance on the CIES and these are shown in note 7. Once these adjustments are made the only movement on the General Fund Balance is the school's surplus.

## The Balance Sheet

The Balance Sheet, as set out on page 19, shows the value as at the Balance Sheet date of the Authority's assets and liabilities. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The council's net worth has reduced by £54.7m. Most of this decrease comes from an increase in the council's liability to the Pension scheme of £36.2m, £9.6m of School Assets that have transferred to Academies and a decrease in the council's current assets of £19.6m.

## The Cash Flow Statement

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

## The Collection Fund

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

### Group Accounts

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

### Amounts Reported for Resource Allocation Decisions (Note 29)

This note shows the same data as the Consolidated Income and Expenditure Statement but presents it in the format that the council uses in the Foreword. This is also the format used during the budget setting process and for management purposes. The note provides a useful link between the two different formats.

### Financial Report

This part of the foreword compares actual spending in the financial year 2011/12 to the budget approved by council; and provides an overview of financial performance. It describes the position in accordance with the council's use of its accounts for management purposes, which differs from that set out in the formal statements as noted above.

The council manages its spending on services within a statutory framework and makes sure spending stays within cash limits:

- The cost of providing services day to day is paid for from government grant (including business rates), council tax and service charges. This is revenue spending.
- Investment in long-term assets such as roads and buildings is paid for through borrowing, external finance, receipts from the sale of council assets, and the revenue budget. This is the capital programme.

The council also has reserves or balances and a strategy for setting the appropriate level and when they will be used:

- General reserves to meet unforeseen expenditure pressures
- Earmarked reserves for specified purposes
- School reserves under local management arrangements, and
- A reserve for the balance on the council tax collection fund.

The Authority's budget was £132.6m. The total net expenditure, excluding reserve movements, reported in the General Fund Summary is £132.6m and includes allocations of £329k to fund capital expenditure.

### Revenue

The table on the next page shows revenue spending by service, a combined under-spend of £1.2m or 1% overall. Spending on schools is shown separately. Schools have spent £1.7m less than budget.

**Budget Outturn Statement 2011-12**

| | Approved Budget | Actual | Difference | |
|---|---|---|---|---|
| | £000's | £000's | £000's | % |
| Adult Social Services | 37,939 | 38,097 | 158 | 0.42% |
| Corporate & Community Services | 10,565 | 10,490 | -75 | -0.71% |
| Corporate Budgets & Levies | 6,680 | 6,222 | -458 | -6.86% |
| Finance Services | 4,181 | 4,019 | -162 | -3.87% |
| Infrastructure Services | 17,462 | 17,144 | -318 | -1.82% |
| Children & Young People's Services | 26,026 | 25,665 | -361 | -1.39% |
| Neighbourhood & Environment | 16,556 | 16,109 | -447 | -2.70% |
| Service Carry forward Commitments | 0 | 441 | 441 | 0.00% |
| **Net Service Expenditure** | 119,409 | 118,186 | -1,223 | -1.02% |
| **Other Items** | | | | |
| Capital Financing | 13,176 | 13,010 | -166 | -1.26% |
| Contingency Reserve | 764 | 0 | -764 | |
| Schools Block -ISB | 92,797 | 91,053 | -1,744 | -1.88% |
| Schools - Central & Early Years | 12,856 | 11,376 | -1,480 | -11.51% |
| Dedicated Schools Grant & Other Grant Funding | -105,654 | -105,654 | 0 | 0.00% |
| **Total Cost** | 133,348 | 127,971 | -5,377 | -4.03% |
| Revenue Support Account | -330 | 1,771 | 2,101 | |
| Schools Block -ISB | 0 | 1,744 | 1,744 | |
| Schools - Central & Early Years | 0 | 1,480 | 1,480 | |
| Scunthorpe Special Expenses Reserve | 0 | 69 | 69 | |
| Carry Forwards from 2010-11 | -396 | -394 | 2 | |
| **Reserve Transfers (to (+) From (-))** | -726 | 4,670 | 5,396 | |
| **Total General Fund** | 132,622 | 132,641 | 19 | |
| Formula Grant | -63,145 | -63,145 | 0 | |
| New Homes Bonus | -320 | -320 | 0 | |
| Collection Fund Surplus | -1,231 | -1,231 | 0 | |
| Council Tax Freeze Grant | -1,638 | -1,657 | -19 | |
| Council Tax | -66,288 | -66,288 | 0 | |
| **Total Financing** | -132,622 | -132,641 | -19 | |
| **Balance at year end** | 0 | 0 | 0 | |

The main differences on core council services are:

### Adult services (£158k, 0.4%)

Have, as planned, used specific grant and a combination of internal savings to meet the additional costs of residential, home care and direct payments. The small overspend represents the service-related costs of the senior council management restructure.

### Corporate and Community Services (-£75k, -0.7%)

Have underspent because of increased income for legal services, reduced election costs and vacancy savings.

### Corporate Budgets and Levies (-£458k,-6.9%)

The underspend is a combination of increased income and savings from vacant posts and external costs, in particular audit fees, insurance costs, the coroners service and Humberside Economic partnership

### Finance Services (-£162k,-3.9%)

The underspend is largely due to vacancies

### Infrastructure Services (-£318k, -1.8%)

The service needs to transfer Building Schools for the Future (BSF) spending of £231k into 2012/13; the balance of the saving is extra income in IT and traffic divisions and vacancy savings across the service.

### Children and Young People's Services (-£361k, -1.4%)

The service has more than contained extra social care costs – residential, adoption and guardianships- through vacancy management and home to school transport savings; made up of contract savings, route rationalisation and additional Extended Rights to free transport grant.

### Neighbourhood and Environment (-£447k, -2.7%)

The service has achieved extra income from catering and cleaning, the crematorium, trading standards and environmental health; and savings on reduced overtime and vacancy management particularly in Streetscene & Landscapes. These more than offset extra waste management costs and the service related management restructure costs

## Carry forward commitments (£441k)

These comprise earmarked funding for Building Schools for the Future (BSF) and Broadband Delivery UK (BDUK) .

## 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. Some re-phasing of funds from 2011/12 to later years where the original timetable has changed, has taken place.  Overall spending was £57.4m against a revised budget of £63.4m. This is shown by service below.

**Capital Programme 2011-12**

| Planned programme | Budget 2011/12 £000's | Actual 2011/12 £000's | Difference 2011/12 £000's | % | Rephasing £000's |
|---|---|---|---|---|---|
| Adults Social Care | 44 | 0 | -44 | -100% | 44 |
| Children & Young Peoples Service | 32,394 | 29,233 | -3,162 | -10% | 3,150 |
| Corporate & Communities | 398 | 392 | -6 | -1% | 53 |
| Corporate Budgets & Levies | 928 | 708 | -220 | -24% | 220 |
| Infrastructure Services | 24,035 | 22,892 | -1,143 | -5% | 1,167 |
| Neighbourhood & Environment | 5,642 | 4,210 | -1,432 | -25% | 1,064 |
| **Total** | 63,440 | 57,434 | -6,006 | -9% | 5,698 |

The most significant elements of the 2011/12 programme have been:

## Investment in the Area

| | |
|---|---|
| Bath’s Hall | £7.2m |
| The Pods | £4.2m |
| Road Enhancements | £2.7m |
| Connect 2 | £1.2m |

## Investment in Children

| | |
|---|---|
| Foxhills School | £7.0m |
| Westcliffe Primary | £4.9m |
| Melior School | £3.3m |
| St. Lawrence Academy | £3.2m |
| Building Schools for the Future ICT | £2.4m |
| Brumby School | £1.2m |
| St. Peters and St. Pauls Primary | £1.0m |

To finance the capital programme in 2011/12 resources have been deployed as follows:

**Funding Analysis**

| | Budget 2011/12 £000's | Actual 2011/12 £000's | Difference 2011/12 £000's | % | Rephasing £000's |
|---|---|---|---|---|---|
| Grant Funding | 35,496 | 33,853 | -1,643 | -5% | 1,973 |
| External Funding | 334 | 240 | -94 | -28% | 65 |
| Property Trading Account | 873 | 791 | -82 | -9% | 110 |
| Capital Receipts | 2,515 | 2,176 | -339 | -13% | 0 |
| Internal Borrowing | 24,069 | 19,987 | -4,083 | -17% | 3,550 |
| Revenue Funding | 153 | 389 | 236 | 154% | 0 |
| **Total** | 63,440 | 57,434 | -6,006 | -9% | 5,698 |

## Reserves

In line with the approved strategy for the use of reserves, the following have been applied in 2011/12(see above):

- £1.744m added to school balances
- £1.231m, the collection fund balance applied as required by law
- £0.394m of the 2010/11 carry forward reserve applied

The carry forward reserve is for ring-fenced purposes and carries forward automatically. The 2010/11 balance has been fully utilised in 2011/12. There are a further range of carry forward requests but these will not be approved until July 2012. Any carry forwards that are approved will be met from the Revenue Support Reserve.

Overall general balances are maintained at £6.858m at 31 March 2011

## Contingency (-£764k) & capital financing costs (-£166k)

Were within budget, this is because no call was made on the contingency for redundancy costs and the statutory provision required to cover capital costs was lower.

## School funding

This is ring-fenced and any underspend carries forward into future years. Individual schools manage their own budgets and collectively set aside £1,520k in reserves. In addition schools moving to academy status have added a further £224k to reserves in settlement of deficit and surplus balances. Central services provided to schools by the council underspent by £1,480k. This includes a contingency element of £245k set aside for nursery placements and an additional £526k of DSG funding paid late in the financial year in settlement of an outstanding standards fund entitlement.

## Pensions

Following the reduction in pension liabilities due to the change from increasing pensions in line with the Retail Price index (RPI) to increasing pensions in line with the Consumer Price index, this year the liability has increased by £36.5m. Pension liabilities will be funded as they fall due through a combination of employee and employer contributions, government grants and council tax.

## Asset Valuations

Property, plant & equipment and Investment Properties values have increased by £0.6m this year. There were £55.2m of additions including expenditure on the Building Schools for the future (BSF), The Pods, The Baths Hall, roads and vehicles. A number of schools have transferred to Academies in year and the council are no longer responsible for their assets and they no longer appear on the council's balance sheet.

## Treasury Management - Investments

A risk averse strategy was adopted for the investment of cash balances in 2011/12. Investments were short term, three months and under and only made with Banks and Building Societies with good credit ratings. Limits were placed on the maximum investment with financial groups rather than individual institutions with a maximum limit of £5m with most groups. Investments were only made with UK institutions and the Governments Debt Management Office (DMO) was utilised for added security. In 2011/12 286 separate investments were made totalling £457m. The balance invested fell from £16.5m at the beginning of the year to £7.3m at the year end. An average interest rate of 0.61% was earned during the year. This was 0.11% above the base rate.

## Treasury Management - Icelandic Investments

In late 2008 several Icelandic Banks and their subsidiaries went into administration. North Lincolnshire Council had investments with two of these institutions at that time. £3.5m was invested with Heritable Bank and £2.0m with Landsbanki Islands hf. By the end of 2011/12 £2.52m had been recovered from Heritable. The current expectation is that between 86% and 90% of the investment will be recovered.

During the year the Icelandic High Court rejected the appeal by some of Landsbanki's other creditors. This meant that the sums owed to the Council retained priority status. In March 2012 the Landsbanki Winding Up Board (WUB) made a first repayment of £0.84m. The current expectation is that 100% of the investment will be recovered.

## Treasury Management - Borrowing

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 (typically 5%) and rate of return on our investment (between 0.5% and 1%). It makes temporary use of cash balances which would otherwise be exposed to potential loss in volatile financial markets. Between 2008/09 to 2010/11 £42.6m of borrowing has been deferred. A further £19.9m has been deferred in 2011/12. The strategy will be followed as long as it is prudent to do so, while cash reserves are sufficient. Total borrowing at the end of 2011/12 was £111.1m.

## Future Prospects

The council set a revised four year financial plan for 2012/13 to 2015/16 in February 2012. This now includes the first year of the government's next four year plan, 2015/16, where its intentions are not yet fully clear. Coupled with the uncertainties of changes to local government financing through the introduction of localised business rate retention and continued financial restraint, the financial challenges for the council remain significant.

However the council's strong financial performance, with a small revenue underspend on services and modest addition to balances, means that it can face these challenges with confidence.

# Statement of the Authority's and Chief Financial Officer's 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 ensure that one of its officers has the responsibility for the administration of those affairs.
- to approve the Statement of Accounts.

In this Authority, that officer is the Director of Policy and Resources;

The Director of Policy and Resources is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice').

In preparing this Statement of Accounts, the Director of Policy and Resources 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 Director of Policy and Resources has also:

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

# Certificate of the Chief Financial Officer

I certify that:

(a)the Statement of Accounts for the year ended 31 March 2012 on pages 17 to 95 has been prepared in the form directed by the Code and under the accounting policies set out on pages 22 to 33.

(b)in my opinion the Statement of Accounts presents fairly the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.

…………………………………………………………………..

Mike Wedgewood Director of Policy and Resources

Date 27th September 2012

## Authority Approval of Statement of Accounts

These accounts were approved by resolution of the Audit Committee on 27th September 2012

…………………………………………………..

Chairman

………………………………………….

Date: 27th September 2012

## North Lincolnshire Council Annual Governance Statement 2011/12

This statement provides a summary assessment of governance within the council. Guidance suggests that this document should be considered alongside the accounts, but not be a formal part of them. It is attached at Appendix A for ease of reference.

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

# Movement in Reserves Statement

| | General Fund Balance £000 | Earmarked General Fund Reserves £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Major Repairs Reserve £000 | Total Usable Reserves £000 | Total Unusable Reserves £000 | Total Reserves of the Authority £000 |
|---|---|---|---|---|---|---|---|---|
| **Balance as At 1 April 2010** | **8,468** | **17,907** | **1,600** | **12,995** | **0** | **40,970** | **19,028** | **59,998** |
| **Movement in reserves during the year** | | | | | | | | |
| Surplus or (deficit) on the provision of services | 63,372 | | | | | **63,372** | | **63,372** |
| Other Comprehensive Income and Expenditure | 0 | | 0 | | | **0** | 101,679 | **101,679** |
| **Total Comprehensive Income and Expenditure** | **63,372** | **0** | **0** | **0** | **0** | **63,372** | **101,679** | **165,051** |
| Adjustments between accounting basis & funding basis under regulations (Note 7) | (59,125) | | 8 | 3,729 | 0 | **(55,388)** | 55,388 | **0** |
| **Net Increase/Decrease before Transfers to Earmarked Reserves** | **4,247** | **0** | **8** | **3,729** | **0** | **7,984** | **157,067** | **165,051** |
| Transfers to or from earmarked reserves | (4,700) | 4,700 | | | | **0** | | **0** |
| **Increase/Decrease in Year** | **(453)** | **4,700** | **8** | **3,729** | **0** | **7,984** | **157,067** | **165,051** |
| **Balance as at 31 March 2011** | **8,015** | **22,607** | **1,608** | **16,724** | **0** | **48,954** | **176,095** | **225,049** |
| **Movement in reserves during the year** | | | | | | | | |
| Surplus or (deficit) on provision of services | (21,570) | | | | | **(21,570)** | | **(21,570)** |
| Other Comprehensive Income and Expenditure | 0 | | 0 | | | **0** | (33,087) | **(33,087)** |
| **Total Comprehensive Income and Expenditure** | **(21,570)** | **0** | **0** | **0** | **0** | **(21,570)** | **(33,087)** | **(54,657)** |
| Adjustments between accounting basis & funding basis under regulations (Note 7) | 26,542 | | (120) | (7,760) | 0 | **18,662** | (18,662) | **0** |
| **Net Increase/Decrease before Transfers to Earmarked Reserves** | **4,972** | **0** | **(120)** | **(7,760)** | **0** | **(2,908)** | **(51,749)** | **(54,657)** |
| Transfers to or from earmarked reserves | (3,228) | 3,228 | | | | **0** | | **0** |
| **Increase/Decrease in Year** | **1,744** | **3,228** | **(120)** | **(7,760)** | **0** | **(2,908)** | **(51,749)** | **(54,657)** |
| **Balance Sheet As At 31 March 2012** | **9,759** | **25,835** | **1,488** | **8,964** | **0** | **46,046** | **124,346** | **170,392** |

# Comprehensive Income and Expenditure Statement for the year ended 31st March 2012

| | Notes | 31/03/12 £000 Expenditure | 31/03/12 £000 Income | 31/03/12 £000 Net | 31/03/11 £000 Expenditure | 31/03/11 £000 Income | 31/03/11 £000 Net |
|---|---|---|---|---|---|---|---|
| Central services | | 17,499 | (14,177) | 3,322 | 18,247 | (15,401) | 2,846 |
| Cultural and related services | | 24,577 | (4,561) | 20,016 | 16,409 | (4,834) | 11,575 |
| Environmental & regulatory services | | 25,958 | (3,655) | 22,303 | 28,113 | (3,884) | 24,229 |
| Planning Services | | 6,995 | (1,636) | 5,359 | 8,413 | (3,890) | 4,523 |
| Children And Educational Services | | 169,173 | (117,043) | 52,130 | 192,653 | (137,873) | 54,780 |
| Highways and transport services | | 18,359 | (2,719) | 15,640 | 15,712 | (4,766) | 10,946 |
| Pension index change gain 10/11 only | | 0 | 0 | 0 | (60,597) | 0 | (60,597) |
| Other housing services | | 52,243 | (41,913) | 10,330 | 56,576 | (43,067) | 13,509 |
| Adult Social Care | | 55,042 | (16,752) | 38,290 | 48,148 | (15,452) | 32,696 |
| Corporate and democratic core | | 6,778 | (2,210) | 4,568 | 8,699 | (1,237) | 7,462 |
| Non distributed costs | | 0 | (2,291) | (2,291) | 1,028 | (18) | 1,010 |
| **Surplus/Deficit on Continuing Operations** | | **376,624** | **(206,957)** | **169,667** | **333,401** | **(230,422)** | **102,979** |
| Other Operating Expenditure | **9** | | | 13,884 | | | 650 |
| Financing and Investment Income and Expenditure | **10** | | | 8,680 | | | 15,782 |
| Taxation and Non-Specific Grant Income: Other | **11** | | | (170,661) | | | (182,783) |
| **(Surplus) or Deficit on Provision of Services** | | | | **21,570** | | | **(63,372)** |
| Surplus or deficit on revaluation of non current assets | **24** | | | (5,625) | | | (9,056) |
| Surplus or deficit on revaluation of available for sale financial assets | **24** | | | 0 | | | 0 |
| Actuarial gains / losses on pension assets / liabilities | **48** | | | 38,712 | | | (92,623) |
| **Other Comprehensive Income and Expenditure** | | | | **33,087** | | | **(101,679)** |
| **Total Comprehensive Income and Expenditure** | | | | **54,657** | | | **(165,051)** |

# Balance Sheet

| | Notes | 31st March 2012 £000 | 31st March 2011 Restated £000 | 31st March 2010 Restated £000 |
|---|---|---|---|---|
| Property, Plant & Equipment | **12** | 449,478 | 449,498 | 420,098 |
| Heritage Assets | **13/25** | 1,039 | 1,485 | 1,485 |
| Investment Property | **12** | 42,476 | 42,061 | 44,924 |
| Intangible Assets | **12** | 244 | 0 | 0 |
| Assets held for sale | **21** | 4,895 | 5,260 | 5,286 |
| Long Term Investments | **16** | 10 | 1,500 | 1,500 |
| Long Term Debtors | **19** | 1,195 | 1,266 | 1,369 |
| **Long Term Assets** | | **499,337** | **501,070** | **474,662** |
| Short Term Investments | **16** | 1,787 | 2,675 | 3,053 |
| Inventories | **17** | 533 | 465 | 461 |
| Short Term Debtors | **19** | 17,328 | 29,646 | 29,386 |
| Cash and Cash Equivalents | **20** | 7,786 | 14,248 | 24,297 |
| **Current Assets** | | **27,434** | **47,034** | **57,197** |
| Short Term Borrowing | **16** | 2,234 | 5,903 | 1,803 |
| Short Term Creditors | **22** | 29,458 | 26,960 | 28,615 |
| Provisions | **23** | 890 | 263 | 230 |
| **Current Liabilities** | | **32,582** | **33,126** | **30,648** |
| Long Term Creditors | **22** | 44 | 43 | 0 |
| Provisions | **23** | 1,062 | 1,607 | 1,280 |
| Long Term Borrowing | **16/39** | 109,181 | 111,268 | 117,016 |
| Other Long Term Liabilities | **42/48** | 213,510 | 177,011 | 322,917 |
| **Long Term Liabilities** | | **323,797** | **289,929** | **441,213** |
| **Net Assets** | | **170,392** | **225,049** | **59,998** |
| Usable reserves | **24** | 46,046 | 48,954 | 40,970 |
| Unusable Reserves | **25** | 124,346 | 176,095 | 19,028 |
| **Total Reserves** | | **170,392** | **225,049** | **59,998** |

Please see note 54 and 56 for more information on the restatement of the balance sheet.

# Cash flow Statement

The indirect method has been used to calculate these figures.

| | Notes | 2011/12<br>£000 | 2010/11<br>£000 |
|---|---|---|---|
| **Net surplus or (deficit) on the provision of services** | | (21,570) | 63,372 |
| Adjustment to surplus or deficit on the provision of services for noncash movements | | 65,847 | (10,956) |
| Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | | (29,174) | (43,574) |
| **Net cash flows from operating activities** | **26** | **15,103** | **8,842** |
| **Net Cash flows from Investing Activities** | **27** | **(26,066)** | **(12,251)** |
| **Net Cash flows from Financing Activities** | **28** | **4,501** | **(6,640)** |
| **Net increase or decrease in cash and cash equivalents** | | **(6,462)** | **(10,049)** |
| Cash and cash equivalents at the beginning of the reporting period | | **14,248** | **24,297** |
| **Cash and cash equivalents at the end of the reporting period** | | **7,786** | **14,248** |

# Notes to the Accounts

## 1. Accounting Policies

### i) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS).

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

### ii) Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
  In respect of both capital and revenue transactions, the Council operates on the normal accruals concept of income and expenditure, thus all known sums except where mentioned below, 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.

Exceptions to this policy are:-

- Housing Benefit Payments
- Social Services Income for Home Care
- Property Trading Account Income for commercial properties

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

### iii) Acquisitions and Discontinued Operations

**Acquired operations**
Additional policy detail required where an authority has acquired operations (or transferred operations under combinations of public sector bodies) during the financial year.

**Discontinued operations**
Additional policy detail required where an authority has discontinued operations (or transferred operations under combinations of public sector bodies) during the financial year.

### iv) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in, no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.
In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

### v) Exceptional Items

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

### vi) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

### vii) Charges to Revenue for Non-current Assets

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

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

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

### viii) Employee Benefits

**Benefits Payable During Employment**

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

**Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

**Post-employment Benefits**

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

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

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

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement 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 pension fund attributable to the Authority 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 4.8% (based on the indicative rate of return on high quality corporate bond).
- The assets of East Riding pension fund attributable to the Authority 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 a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

-past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement 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 the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

-expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return
– credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
-gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement 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 – charged to the Pensions Reserve
-contributions paid to the East Riding Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.
In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are 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 pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

**Discretionary Benefits**

The Authority 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.

### ix) Events After the Reporting Period

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

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

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

### x) Financial Instruments

**Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.
For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.
Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.
Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or

discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

**Financial Assets**

Financial assets are classified into two types:

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

**Loans and Receivables**

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Authority has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) 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 to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement.

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

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

**Available-for-Sale Assets**

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the 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 Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

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 Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale 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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and

Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

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

### xi) Foreign Currency Translation

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

### xii) Government Grants and Contributions

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

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

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

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

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

### xiii) Heritage Assets

**Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as heritage assets)**

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

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

**Heritage Assets – General**

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

### xiv) Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

### xv) Interests in Companies and Other Entities

This policy is not relevant to this Authority.

### xvi) Inventories and Long-term Contracts

Inventories are included in the Balance sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO costing formula. Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

The Authority has set a de minimis value of £10,000 below which inventories are not held on the balance sheet.

### xvii) Investment Property

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

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

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

### xviii) Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the

Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.
Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

### xix) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.
Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

#### The Authority as Lessee

**Finance Leases**

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

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).
The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

**Operating Leases**

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

#### The Authority as Lessor

**Finance Leases**

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

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been

received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve or Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.
The written-off value of disposals is not a charge against council tax, as the cost of noncurrent assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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

### xx) 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 Service Reporting Code of Practice 2011/12 (S*e*RCOP). 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 Authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in S*e*RCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

### xxi) Property, Plant and Equipment

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

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

#### Measurement
Assets are initially measured at cost, comprising:

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

The Authority does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority. Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.
Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.
Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.
Where decreases in value are identified, they are accounted for by:

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

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

### Impairment

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

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

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

### Depreciation

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

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 25 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.
Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a

subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.
If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.
When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.
Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) 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 Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.
The written-off value of disposals is not a charge against council tax, as the cost of noncurrent assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### xxii) Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.
Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.
The amounts payable to the PFI operators each year are analysed into five elements:

- **fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- **finance cost** – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- **contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- **payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- **lifecycle replacement costs** – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

### xxiii) Provisions, Contingent Liabilities and Contingent Assets

#### Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.
Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the

balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

**Provision for Back Pay Arising from Unequal Pay Claims**

The Authority has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Authority implemented its equal pay strategy. However, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established. The provision is therefore balanced by an Equal Pay Back Pay Account created from amounts credited to the General Fund Balance in the year the provision was made or modified. The balance on the Equal Pay Back Pay Account will be debited back to the General Fund Balance in the Movement in Reserves Statement in future financial years as payments are made.

**Landfill Allowance Schemes**

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost and net realisable value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination).

The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

**Contingent Liabilities**

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

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

**Contingent Assets**

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

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

### xxiv) Reserves

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

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

### xxv) Revenue Expenditure Funded from Capital under Statute

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

### xxvi) VAT

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

### xxvii) Carbon Reduction Commitment Allowances

Carbon Reduction Commitment charges have been accounted for within the relevant service within the Consolidated Income and Expenditure Account.

## 2. Accounting Standards Issued

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

## 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

• In 2008 the Authority deposited £2.0m with the Icelandic Bank Landsbanki and £3.5m with Heritable Bank. These banks went into administration before the investments were repaid. Over half of these investments have now been repaid but uncertainty remains over the timing and size of future repayments. Current assumptions are that 100% of the Landsbanki investment and 86-90% of the Heritable Investment will ultimately be recovered.

• The Council inherited some exposure to potential liabilities resulting from the insolvency of Municipal Mutual Insurance Company in 1992. A solvent run-off is no longer forecast but the likelihood and scale of any liabilities cannot yet be established.

## 4. Significant Estimates

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

The items in the Authority's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|---|---|---|
| **Property, Plant and Equipment** | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The useful lives of assets have been estimated by qualified in-house valuers and staff from the District Valuer. | If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.<br><br>It is estimated that the annual depreciation charge for buildings would increase by £296k for every year that useful lives had to be reduced. |
| **Pensions Liability** | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. | The assumptions interact in complex ways. During 2011/12, the Authority's actuaries advised that the net pensions liability had increased by £38.7m as a result of estimates being corrected and as a result of the updating of the assumptions. |
| **Arrears** | At 31 March 2012, the Authority had a balance of sundry debtors for £7.9m. A review of significant balances suggested that an impairment of doubtful debts of £1.8m was appropriate. However, in the current economic climate it is not certain that such an allowance will be sufficient. | If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1.8m to set aside as an allowance. |

## 5. Material Items of Income and Expense

During the year several North Lincolnshire Schools became Academies. They are now responsible for their own property, plant and equipment. This has meant the council has derecognised school assets of £9.3m.

## 6. Events after the Balance Sheet Date

The council has been in negotiation with North Lincolnshire Homes (NLH) regarding the VAT tax shelter and Right to Buy agreement which came into force in 2007 and is reported in the Contingent Assets Note 49. An outline agreement has been reached such that NLH will pay the council a lump sum as full and final settlement of this agreement. As at the 27th September this transaction has not been finalised.

Airport

Following the sale of their shares in Humberside International Airport Limited (HIAL) by Manchester Airport Group to Eastern Airways there have been some consequences for the Council. The Council has retained its 17% share of HIAL's shares but the Council's loan to the company has been converted to preference shares in Eastern Airways.

Humber Bridge

On the 1st April 2012 the four Humber Councils, East Riding of Yorkshire, Hull City Council, North East Lincolnshire Council and North Lincolnshire Council entered into an agreement with Central Government on the future of the Humber Bridge. This agreement reduced the debt of the Humber Bridge Board and therefore allowed the Humber Bridge Board to reduce bridge tolls. In return the four named councils agreed to act as equal guarantors for the remaining debt.

Academies

A number of schools have announced plans to convert to Academies in the next financial year. Two Primary Schools, Epworth Primary and Westwoodside Primary converted on 1st September 2012 and a further three Primaries and three Secondary Schools have announced plans to convert.

## 7. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the council's accounts in accordance with proper accounting practice to bring the surplus or deficit back to the actual movement on the council's balances.

| 2011/12 | General Fund Balance £000 | Usable Reserves<br>Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movement in Unusable Reserves £000 |
|---|---|---|---|---|
| **Adjustments involving the Capital Adjustment Account:** | | | | |
| **Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:** | | | | |
| Charges for depreciation and impairment of non current assets | 22,284 | | | (22,284) |
| Amortisation of Intangible Assets | 52 | | | (52) |
| Revaluation losses on Property Plant and Equipment | 26,808 | | | (26,808) |
| Movements in the Market Value of Investment Properties | (732) | | | 732 |
| Capital grants and contributions credited to the Comprehensive I&E Statement | (26,328) | | 7,366 | 18,962 |
| Unapplied Capital Grants used in financing | | | (15,126) | 15,126 |
| Revenue expenditure funded from capital under statute | 2,190 | | | (2,190) |
| Carrying amount of non current assets sold | 14,124 | | | (14,124) |
| Loans/Lease principal repayments during the year | (259) | | | 259 |
| **Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:** | | | | |
| Statutory Provision for the Financing of Capital Investment | (6,421) | | | 6,421 |
| Capital expenditure charged against the General Fund balance | (389) | | | 389 |
| **Adjustments involving the Capital Receipts Reserve:** | | | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | (2,968) | | 2,968 |
| Proceeds From Sale of Non Current Assets | (2,846) | 2,846 | | |
| Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals | 0 | 0 | | |
| Contribution from the Capital Receipts Reserve to finance the payments to the Housing capital receipts pool. | 10 | (10) | | |
| Transfer to deferred capital receipts reserve upon receipt of cash | | 12 | | (12) |
| **Adjustments involving the Financial Instruments Adjustment Account:** | | | | |
| Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements. | 0 | | | 0 |
| **Adjustments involving the Pensions Reserve:** | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47) | 16,556 | | | (16,556) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (18,769) | | | 18,769 |
| **Adjustments involving the Collection Fund Adjustment Account:** | | | | |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | 1,215 | | | (1,215) |
| **Adjustment involving the Accumulating Compensated Absences Adjustment Account** | | | | |
| Adjustments in relation to Short-term compensated absences | (953) | | | 953 |
| **Total Adjustments** | **26,542** | **(120)** | **(7,760)** | **(18,662)** |

| 2010/11 | Usable Reserves<br>General Fund Balance<br>£000 | Capital Receipts Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Movement in Unusable Reserves<br>£000 |
|---|---|---|---|---|
| **Adjustments involving the Capital Adjustment Account:** | | | | |
| **Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:** | | | | |
| Charges for depreciation and impairment of non current assets | 13,485 | | | (13,485) |
| Amortisation of Intangible Assets | 0 | | | 0 |
| Revaluation losses on Property Plant and Equipment | 30,231 | | | (30,231) |
| Movements in the Market Value of Investment Properties | (1,433) | | | 1,433 |
| Capital grants and contributions credited to the Comprehensive I&E Statement | (41,108) | | 14,906 | 26,202 |
| Unapplied Capital Grants used in financing | | | (11,177) | 11,177 |
| Revenue expenditure funded from capital under statute | 1,840 | | | (1,840) |
| Carrying amount of non current assets sold | 1,301 | | | (1,301) |
| Loans/Lease principal repayments during the year | (333) | | | 333 |
| **Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:** | | | | |
| Statutory Provision for the Financing of Capital Investment | (5,525) | | | 5,525 |
| Capital expenditure charged against the General Fund balance | (278) | | | 278 |
| **Adjustments involving the Capital Receipts Reserve:** | | | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | (2,424) | | 2,424 |
| Proceeds From Sale of Non Current Assets | (2,466) | 2,466 | | |
| Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals | 33 | (33) | | |
| Contribution from the Capital Receipts Reserve to finance the payments to the Housing capital receipts pool. | 14 | (14) | | |
| Transfer to deferred capital receipts reserve upon receipt of cash | | 13 | | (13) |
| **Adjustments involving the Financial Instruments Adjustment Account:** | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | (1,223) | | | 1,223 |
| **Adjustments involving the Pensions Reserve:** | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47) | (33,286) | | | 33,286 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (19,997) | | | 19,997 |
| **Adjustments involving the Collection Fund Adjustment Account:** | | | | |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | 67 | | | (67) |
| **Adjustment involving the Accumulating Compensated Absences Adjustment Account** | | | | |
| Adjustments in relation to Short-term compensated absences | (447) | 0 | 0 | 447 |
| **Total Adjustments** | **(59,125)** | **8** | **3,729** | **55,388** |

## 8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund Expenditure in 2011/12.

| | Balance as At 1 April 2010 | Transfers In 2010/11 | Transfers Out 2010/11 | Balance as at 31 March 2011 | Transfers In 2011/12 | Transfers Out 2011/12 | Balance as at 31 March 2012 |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **General Fund:** | | | | | | | |
| Revenue Support Reserve | 5,223 | 3,266 | 0 | 8,489 | 1,951 | 0 | 10,440 |
| Revenue Grants | 5,813 | 8,237 | (5,813) | 8,237 | 3,373 | (4,268) | 7,342 |
| Dedicated Schools Grant | 0 | 1,659 | 0 | 1,659 | 1,480 | 0 | 3,139 |
| Impairment Reserve | 2,853 | 0 | (853) | 2,000 | 1 | 0 | 2,001 |
| Insurance | 999 | 0 | 0 | 999 | 174 | 0 | 1,173 |
| Self Insurance | 274 | 0 | 0 | 274 | 138 | 0 | 412 |
| Property Trading Account | 0 | 29 | 0 | 29 | 330 | 0 | 359 |
| Legal Services Reserve | 0 | 0 | 0 | 0 | 250 | 0 | 250 |
| Scunthorpe Special Expenses | 40 | 81 | 0 | 121 | 69 | 0 | 190 |
| HRA Closedown | 125 | 0 | 0 | 125 | 0 | 0 | 125 |
| Pumping Stations | 32 | 34 | 0 | 66 | 24 | 0 | 90 |
| Corporate System | 30 | 0 | 0 | 30 | 60 | 0 | 90 |
| LPSA (PRG) | 660 | 0 | (569) | 91 | 0 | (3) | 88 |
| Safety Camera Partnership | 0 | 0 | 0 | 0 | 74 | 0 | 74 |
| Crematorium Enhancement Fund | 29 | 1 | 0 | 30 | 2 | 0 | 32 |
| Commuted Sums | 0 | 0 | 0 | 0 | 30 | 0 | 30 |
| General Carry Forwards | 538 | 394 | (538) | 394 | 0 | (394) | 0 |
| Building Control | 189 | 0 | (127) | 62 | 0 | (62) | 0 |
| Additional MRP Reserve | 1,102 | 0 | (1,101) | 1 | 0 | (1) | 0 |
| **Total Earmarked Reserves** | **17,907** | **13,701** | **(9,001)** | **22,607** | **7,956** | **(4,728)** | **25,835** |

**Revenue Support Reserve**

This reserve has been set aside to fund specific spending requirements in future years as part of the council's medium term financial plan. Additionally in 2012/13 the reserve will be used to meet the costs of the carry forwards agreed at the 10th July 2012 Cabinet meeting.

**Revenue Grants**

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

**Dedicated Schools Grant**

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

**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 100% of the funds lodged with Landsbanki and 86-90% of the funds lodged with Heritable should be recoverable. This reserve has been established at the current level based on what is seen as a worst case outcome.

**Insurance**

This reserve is held to meet any material excesses on future claims.

**Self-Insurance**

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

**Property Trading Account**

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

## 9. Other Operating Expenditure

Further details of the individual Parish Precepts and the gains/losses on the disposals of non-current assets are listed immediately below this table.

| | 2011/12 | 2010/11 |
|---|---|---|
| | £000 | £000 |
| Parish council precepts | 1,348 | 1,318 |
| Payments to the Government Housing Capital Receipts Pool | 10 | 14 |
| Gains/losses on the disposal of non current assets | 11,355 | (1,812) |
| Levies | 1,171 | 1,130 |
| Other | 0 | 0 |
| | **13,884** | **650** |

## Parish Council Precepts

| | 2011/12 £000 | 2010/11 £000 |
|---|---|---|
| Alkborough | 4 | 4 |
| Amcotts | 2 | 2 |
| Appleby | 6 | 6 |
| Ashby Parkland | 2 | 4 |
| Barnetby-le-wold | 24 | 24 |
| Barrow-on-Humber | 14 | 14 |
| Barton-upon-Humber | 166 | 164 |
| Belton | 20 | 20 |
| Bonby | 9 | 9 |
| Bottesford | 100 | 100 |
| Brigg | 117 | 117 |
| Broughton | 99 | 89 |
| Burringham | 12 | 12 |
| Burton-upon-Stather | 45 | 44 |
| Cadney-cum-Howsham | 7 | 7 |
| Crowle | 55 | 58 |
| East Butterwick | 1 | 1 |
| East Halton | 4 | 4 |
| Eastoft | 4 | 4 |
| Elsham | 5 | 5 |
| Epworth | 56 | 54 |
| Flixborough | 10 | 15 |
| Garthorpe & Fockerby | 6 | 6 |
| Goxhill | 51 | 39 |
| Gunness | 34 | 34 |
| Haxey | 35 | 35 |
| Hibaldstow | 15 | 11 |
| Holme | 0 | 0 |
| Horkstow | 2 | 2 |
| Keadby with Althorpe | 29 | 29 |
| Kirmington & Croxton | 9 | 8 |
| Kirton-in-Lindsey | 73 | 68 |
| Luddington | 4 | 4 |
| Manton | 0 | 0 |
| Melton Ross | 3 | 3 |
| Messingham | 45 | 50 |
| New Holland | 9 | 8 |
| North Killingholme | 5 | 5 |
| Owston Ferry | 13 | 10 |
| Redbourne | 7 | 7 |
| Roxby-cum-Risby | 6 | 6 |
| Saxby-all-Saints | 2 | 2 |
| Scawby-cum-Sturton | 29 | 30 |
| South Ferriby | 13 | 13 |
| South Killingholme | 15 | 15 |
| Thornton Curtis | 1 | 1 |
| Ulceby | 13 | 13 |
| West Butterwick | 0 | 0 |
| West Halton | 5 | 5 |
| Whitton | 3 | 3 |
| Winteringham | 13 | 13 |
| Winterton | 115 | 112 |
| Wootton | 3 | 3 |
| Worlaby | 11 | 11 |
| Wrawby | 13 | 13 |
| Wroot | 10 | 10 |
| **Total** | **1,348** | **1,318** |

### Gains/Losses on the disposal of Non-Current Assets (excl. Investment Properties)

| | 2011/12<br>£000 | 2010/11<br>£000 |
|---|---|---|
| Net Proceeds from Sale of Non Current Assets | (1,984) | (2,079) |
| Disposal costs | 0 | 33 |
| Carrying amount of non-current assets sold (excl Investment Properties) | 13,339 | 234 |
| | | |
| | **11,355** | **(1,812)** |

## 10. Financing and investment Income and Expenditure

Further details for each of the five items are listed immediately below this table.

| | 2011/12<br>£000 | 2010/11<br>£000 |
|---|---|---|
| Interest payable and similar charges | 6,530 | 6,541 |
| Pensions interest cost and expected return on pensions assets | 4,269 | 9,170 |
| Interest receivable and similar income | (214) | (268) |
| Income and expenditure in relation to investment properties and changes in their fair value | (1,866) | (555) |
| Other investment income-Trading Services | (39) | 894 |
| **Total** | **8,680** | **15,782** |

### Interest Payable and Similar Charges

| | 2011/12<br>£000 | 2010/11<br>£000 |
|---|---|---|
| Lease/hire purchase interest | 43 | 59 |
| Amortised Premium | 16 | 16 |
| Reversal of Impairment | (99) | (370) |
| Loan Interest | 6,570 | 6,836 |
| | **6,530** | **6,541** |

## Pensions interest cost and expected return on pensions assets

| | 2011/12<br>£000 | 2010/11<br>£000 |
|---|---|---|
| Expected return on assets in the scheme | (24,758) | (24,256) |
| Interest cost | 29,027 | 33,426 |
| | **4,269** | **9,170** |

## Interest receivable and similar income

| | 2011/12<br>£000 | 2010/11<br>£000 |
|---|---|---|
| Loans | (45) | (53) |
| Other Investment income | (169) | (215) |
| | **(214)** | **(268)** |

## Income, Expenditure and changes in Fair Value of investment Properties

| **Income/Expenditure from Investment Properties:** | 2011/12<br>£000 | 2010/11<br>£000 |
|---|---|---|
| Income including rental income | (3,040) | (2,241) |
| Expenditure | 1,983 | 2,439 |
| *Net income from investment properties* | **(1,057)** | **198** |
| **Surplus/deficit on sale of Investment Properties:** | | |
| Proceeds from sale | (862) | (387) |
| Carrying amount of investment properties sold | 785 | 1,067 |
| *(Surplus)/deficit on sale of Investment Properties:* | **(77)** | **680** |
| **Changes in Fair Value of Investment Properties** | **(732)** | **(1,433)** |
| | **(1,866)** | **(555)** |

Further detail can be found in Note 12.

### Surplus/Deficit on trading operations

| | 2011/12 £000 | 2010/11 £000 |
|---|---|---|
| Income from trading | (13,403) | (14,129) |
| Expenditure | 13,364 | 15,023 |
| Surplus/(Deficit) for the year | **(39)** | **894** |

A breakdown of these trading operations is found in Note 31.

## 11. Taxation and Non-Specific Grant Income

Further details for the last two items are listed immediately below this table. Capital grants are further analysed as Applied and Unapplied.

| Taxation and Non-Specific Grant Income | 2011/12 £000 | 2010/11 £000 |
|---|---|---|
| Council Tax Income | **67,651** | **67,467** |
| NDR Redistribution | **48,235** | **54,362** |
| Non-ringfenced government grants | **28,447** | **19,846** |
| Capital Grants | **26,328** | **41,108** |
| | | |
| **Total Taxation and Non-Specific Grant Income** | **170,661** | **182,783** |

### Central Government Grants

| | 2011/12 £000 | 2010/11 £000 |
|---|---|---|
| Revenue Support Grant | 14,910 | 7,894 |
| ABG | 0 | 11,952 |
| Other non-ringfenced grants | 11,310 | 0 |
| New Homes Bonus | 570 | 0 |
| Council Tax Reduction Grant | 1,657 | 0 |
| Total | **28,447** | **19,846** |

## Capital Grants and Donated Assets-Applied

| Capital Grants and Donated Assets-Applied | 2011/12 £000 | 2010/11 £000 |
|---|---|---|
| Government & Other Grants-Conditions met and applied in year | 18,962 | 26,202 |
| Government & Other Grants-transfer from receipts in advance and applied in year | 0 | 0 |
| Donated Assets-Conditions met | 0 | 0 |
| Donated Assets-transfer from donated assets creditor | 0 | 0 |
| **Total** | **18,962** | **26,202** |

## Capital Grants Unapplied

| Capital Grants-Unapplied | 2011/12 £000 | 2010/11 £000 |
|---|---|---|
| Government & Other Grants-Conditions met and **not** applied. | 7,366 | 14,906 |
| **Total** | **7,366** | **14,906** |

| Capital Grants-Total | 2011/12 £000 | 2010/11 £000 |
|---|---|---|
| Government Grants-Applied | 18,962 | 26,202 |
| Government Grants-Unapplied | 7,366 | 14,906 |
| Government & Other Grants-Total | **26,328** | **41,108** |

## 12. Property, Plant and Equipment

This table explains the movement in balances for each category of asset.

| | Property, Plant & Equipment (PP&E) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Land and Buildings | Infrastructure Assets | Vehicles, Plant & Equipment | Community Assets | Non Operational Assets | PP&E Under Construction | Surplus Assets | **Total PP&E** | **Investment Properties** | **Intangible Assets** | **TOTAL** |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Cost or Valuation** | | | | | | | | | | | |
| Balance as At 1 April 2011 | 346,809 | 64,886 | 17,685 | 1,249 | | 51,655 | 0 | **482,284** | **42,061** | **0** | **524,345** |
| Adjustments between cost/value & depreciation/impairment | 0 | 0 | 0 | 0 | | 0 | 0 | **0** | **0** | **0** | **0** |
| Adjusted opening balance | **346,809** | **64,886** | **17,685** | **1,249** | | **51,655** | **0** | 482,284 | 42,061 | 0 | 524,345 |
| Additions (Note 41) | 32,799 | 6,863 | 3,054 | 0 | | 12,259 | 0 | **54,975** | 100 | **169** | **55,244** |
| Donations | 0 | 0 | 0 | 0 | | 0 | 0 | **0** | **0** | **0** | **0** |
| Revaluation increases/decreases to Revaluation Reserve | 5,953 | 0 | 88 | 71 | | 0 | 0 | **6,112** | 0 | **0** | **6,112** |
| Revaluation increases/decreases to Surplus or Deficit on the Provision of Services | (31,420) | 0 | (2,025) | (125) | | 0 | 0 | **(33,570)** | 682 | **0** | **(32,888)** |
| Derecognition - Disposals | (10,565) | 0 | 0 | 0 | | 0 | 0 | **(10,565)** | (785) | **0** | **(11,350)** |
| Derecognition - Other | (2,781) | 0 | 0 | 0 | | 0 | 0 | **(2,781)** | 0 | **0** | **(2,781)** |
| Reclassifications & Transfers | 55,345 | (2) | (252) | 0 | | (56,286) | 525 | **(670)** | 418 | **252** | **0** |
| Reclassified to Held for Sale | (194) | | | | | 0 | 0 | **(194)** | 0 | **0** | **(194)** |
| Reclassified from Held for Sale | 210 | | | | | 0 | 0 | **210** | 0 | | **210** |
| **Balance as at 31 March 2012** | **396,156** | **71,747** | **18,550** | **1,195** | **0** | **7,628** | **525** | **495,801** | **42,476** | **421** | **538,698** |
| **Depreciation and Impairment** | | | | | | | | | | | |
| Balance as At 1 April 2011 | 15,311 | 8,657 | 8,818 | 0 | | 0 | 0 | **32,786** | **0** | **0** | **32,786** |
| Adjustments between cost/value & depreciation/impairment | 0 | 0 | 0 | 0 | | 0 | 0 | **0** | **0** | **0** | **0** |
| Adjusted opening balance | 15,311 | 8,657 | 8,818 | 0 | | 0 | 0 | **32,786** | 0 | 0 | **32,786** |
| Depreciation Charge | 10,059 | 2,292 | 2,273 | 0 | | 0 | 11 | **14,635** | 0 | **52** | **14,687** |
| Depreciation written out on Revaluation Reserve | 0 | 0 | 0 | 0 | | 0 | 0 | **0** | 0 | **0** | **0** |
| Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services | (5,494) | 0 | (1,958) | 0 | | 0 | 0 | **(7,452)** | 0 | **0** | **(7,452)** |
| Impairment losses/reversals to Revaluation Reserve | 737 | 0 | 0 | 0 | | 0 | 0 | **737** | 0 | **0** | **737** |
| Impairment losses/reversals to Surplus or Deficit on the Provision of Services | 3,556 | 0 | 0 | 0 | | 2,598 | 0 | **6,154** | (50) | **0** | **6,104** |
| Derecognition - Disposals | (362) | 0 | 0 | 0 | | 0 | 0 | **(362)** | 0 | **0** | **(362)** |
| Derecognition - Other | 0 | 0 | 0 | 0 | | 0 | 0 | **0** | 0 | **0** | **0** |
| Reclassifications & Transfers | (60) | 0 | (125) | 0 | | 0 | 10 | **(175)** | 50 | **125** | **0** |
| Eliminated on reclassification to Held for Sale | 0 | 0 | 0 | 0 | | 0 | 0 | **0** | 0 | **0** | **0** |
| **Balance as at 31 March 2012** | **23,747** | **10,949** | **9,008** | **0** | **0** | **2,598** | **21** | **46,323** | **0** | **177** | **46,500** |
| **Net Book Value** | | | | | | | | | | | |
| **Balance as at 31 March 2012** | **372,409** | **60,798** | **9,542** | **1,195** | **0** | **5,030** | **504** | **449,478** | **42,476** | **244** | **492,198** |
| **Balance as at 31 March 2011** | **331,498** | **56,229** | **8,867** | **1,249** | **0** | **51,655** | **0** | **449,498** | **42,061** | **0** | **491,559** |

| | Property, Plant & Equipment (PP&E) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Land & Buildings £000 | Infrastructure Assets £000 | Vehicles, Plant & Equipment £000 | Community Assets £000 | Non Operational Assets £000 | PP&E Under Construction £000 | Surplus Assets £000 | **Total PP&E £000** | **Investment Properties £000** | **TOTAL £000** |
| **Cost or Valuation** | | | | | | | | | | |
| Balance as At 1 April 2010 | 351,520 | 59,288 | 14,944 | 1,249 | 0 | 19,741 | 0 | **446,742** | 44,935 | **491,677** |
| Adjustments between cost/value & depreciation/impairment | 0 | 0 | 0 | 0 | | 0 | 0 | **0** | **0** | **0** |
| Adjusted opening balance | **351,520** | **59,288** | **14,944** | **1,249** | **0** | **19,741** | **0** | **446,742** | **44,935** | **491,677** |
| Additions (Note 41) | 19,918 | 5,829 | 2,741 | 0 | 0 | 32,427 | 0 | **60,915** | 125 | **61,040** |
| Donations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** | 0 | **0** |
| Revaluation increases/decreases to Revaluation Reserve | 1,534 | (231) | 0 | 0 | 0 | 0 | 0 | **1,303** | 0 | **1,303** |
| Revaluation increases/decreases to Surplus or Deficit on the Provision of Services | (30,118) | 0 | 0 | 0 | 0 | (426) | 0 | **(30,544)** | 1,433 | **(29,111)** |
| Derecognition - Disposals | (154) | 0 | 0 | 0 | 0 | 0 | 0 | **(154)** | (1,067) | **(1,221)** |
| Derecognition - Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** | 0 | **0** |
| Reclassifications & Transfers | 3,452 | 0 | 0 | 0 | 0 | (87) | 0 | **3,365** | (3,365) | **0** |
| Reclassified to Held for Sale | | | | | | | | **0** | 0 | **0** |
| Reclassified from Held for Sale | 657 | | | | | | **0** | **657** | 0 | **657** |
| **At 31 March 2011** | **346,809** | **64,886** | **17,685** | **1,249** | **0** | **51,655** | **0** | **482,284** | **42,061** | **524,345** |
| **Depreciation and Impairment** | | | | | | | | | | |
| Balance as At 1 April 2010 | 13,521 | 6,875 | 6,248 | 0 | 0 | 0 | 0 | **26,644** | 11 | **26,655** |
| Adjustments between cost/value & depreciation/impairment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** | **0** | **0** |
| Adjusted opening balance | 13,521 | 6,875 | 6,248 | 0 | 0 | 0 | 0 | **26,644** | 11 | **26,655** |
| Depreciation Charge | 8,733 | 2,013 | 2,570 | 0 | 0 | 0 | 0 | **13,316** | 0 | **13,316** |
| Depreciation written out on Revaluation Reserve | (7,590) | (231) | 0 | 0 | 0 | 0 | 0 | **(7,821)** | 0 | **(7,821)** |
| Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** | (11) | **(11)** |
| Impairment losses/reversals to Revaluation Reserve | 491 | 0 | 0 | 0 | 0 | 0 | 0 | **491** | 0 | **491** |
| Impairment losses/reversals to Surplus or Deficit on the Provision of Services | 169 | 0 | 0 | 0 | 0 | 0 | 0 | **169** | 0 | **169** |
| Derecognition - Disposals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** | 0 | **0** |
| Derecognition - Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** | 0 | **0** |
| Reclassifications & Transfers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** | 0 | **0** |
| Eliminated on reclassification to Held for Sale | (13) | 0 | 0 | 0 | 0 | 0 | 0 | **(13)** | 0 | **(13)** |
| **At 31 March 2011** | **15,311** | **8,657** | **8,818** | **0** | **0** | **0** | **0** | **32,786** | **0** | **32,786** |
| **Net Book Value** | | | | | | | | | | |
| **At 31 March 2011** | **331,498** | **56,229** | **8,867** | **1,249** | **0** | **51,655** | **0** | **449,498** | **42,061** | **491,559** |
| **Balance as at 31 March 2010** | **337,999** | **52,413** | **8,696** | **1,249** | **0** | **19,741** | **0** | **420,098** | **44,924** | **465,022** |

### Depreciation

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

Other Land and Buildings – 1–50 years

Vehicles, Plant, Furniture & Equipment – 1-10 years

Infrastructure – 3-50 years

### Capital Commitments

At 31 March 2012, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years budgeted to cost £4.7m. The major commitments are:

| | |
|---|---|
| St Peter & St Paul CE Primary School - 210 Place Primary School | £2.2m |
| Westcliffe Primary - 315 Place Primary School | £0.7m |
| Baths Hall - New Entertainment Venue | £0.4m |
| The Pods & Central Park Reinvigoration | £0.3m |

### Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

### Effects of Changes in Estimates

The Authority has determined that as part of the process for determining the charge for depreciation applying a residual value to each of the vehicles in its fleet better reflects the actual use of the vehicle. The result of this has been to charge about £200k less depreciation.

## 13. Heritage Assets

| | Civic Regalia £000 | Museum Collection £000 | War Memorials £000 | Total Assets £000 |
|---|---|---|---|---|
| Balance as At 1 April 2010 | 60 | 1,425 | 0 | 1,485 |
| Additions | 0 | 0 | 0 | 0 |
| Disposals | | 0 | 0 | 0 |
| Revaluations | | 0 | 0 | 0 |
| Impairment (Losses)/Reversals recognised in the Revaluation Reserve | | 0 | 0 | 0 |
| Impairment (Losses)/Reversals recognised in Surplus or Deficit on the Provision of Services | 0 | 0 | 0 | 0 |
| **Balance as at 31 March 2011** | **60** | **1,425** | **0** | **1,485** |

Cost or Valuation

| | | | | |
|---|---|---|---|---|
| Balance as At 1 April 2011 | 60 | 1,425 | 0 | 1,485 |
| Additions | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 |
| Revaluations to RR | 159 | 0 | 0 | 159 |
| Revaluations to Revenue | (60) | (545) | | (605) |
| Impairment (Losses)/Reversals recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 |
| Impairment (Losses)/Reversals recognised in Surplus or Deficit on the Provision of Services | 0 | 0 | 0 | 0 |
| **Balance as at 31 March 2012** | **159** | **880** | **0** | **1,039** |

See Note 52 for further year's breakdowns of Heritage Assets

## 14. Income, Expenditure and changes in Fair Value of Investment Properties

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

### Income/Expenditure from Investment Properties

| | **31/03/12** £000 | **31/03/11** £000 |
|---|---|---|
| Rental income from investment property | (3,040) | (2,241) |
| Direct operating expenses arising from investment property | 1,983 | 2,439 |
| 'Net Gain/Loss included in Financing & Investment Income in the CIES' | **(1,057)** | **198** |

There are no restrictions on the Authority's ability to realise the value inherent in its investment property and none on the Authority's right to the remittance of income but there are some restriction on the Authority's right to the proceeds of disposal due to the conditions of grant funding. The Authority has no contractual obligations to purchase, construct or develop investment property or on repairs, maintenance or enhancement.

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

| | 31/03/12 £000 | 31/03/11 £000 |
|---|---|---|
| Balance at start of the year | 42,061 | 44,935 |
| Additions: | | |
| - Purchases | 0 | 0 |
| - Construction | 100 | 125 |
| - Subsequent expenditure | 0 | 0 |
| Disposals | (785) | (1,067) |
| Net gains/losses from fair value adjustments | 732 | 1,433 |
| Transfers: | | |
| - to/from Inventories | 0 | 0 |
| -to/from Property, Plant and Equipment | 368 | (3,365) |
| Other changes | 0 | 0 |
| Balance at end of the year | 42,476 | 42,061 |

## 15. Intangible Assets

The table below shows the movement in the Council's intangible assets over the year.

| | 2011/12 Total £000 | 2010/11 Total £000 |
|---|---|---|
| **Balance at start of year:** | | |
| Net carrying amount at start of year | **0** | **0** |
| Additions: | | |
| · Purchases | 169 | 0 |
| | **169** | **0** |
| | | |
| Transfers from PPE | 252 | 0 |
| Amortisation for the period | (52) | 0 |
| Other changes | (125) | 0 |
| Net carrying amount at end of year | **244** | **0** |
| | | |
| Comprising: | | |
| · Gross carrying amounts | 421 | 0 |
| · Accumulated amortisation | (177) | 0 |
| | **244** | **0** |

## 16. Financial Instruments

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

| | Long-term | | | Current | | |
|---|---|---|---|---|---|---|
| | 31/03/12 £000 | 31/03/11 £000 | 31/03/10 £000 | 31/03/12 £000 | 31/03/11 £000 | 31/03/10 £000 |
| | | | | | | |
| **Investments** | | | | | | |
| Loans and receivables | 0 | 0 | 0 | 0 | 0 | 0 |
| Available-for-sale financial assets | 0 | 0 | 0 | 1,787 | 2,675 | 3,053 |
| Unquoted equity investment at cost | 10 | 1,500 | 1,500 | 0 | 0 | 0 |
| Financial assets at fair value through profit and loss | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total investments** | **10** | **1,500** | **1,500** | **1,787** | **2,675** | **3,053** |
| | | | | | | |
| **Debtors** | | | | | | |
| Loans and receivables | 1,195 | 1,266 | 1,369 | 0 | 0 | 0 |
| Financial assets carried at contract amounts | 0 | 0 | 0 | 13,353 | 23,962 | 21,605 |
| **Total Debtors** | **1,195** | **1,266** | **1,369** | **13,353** | **23,962** | **21,605** |
| | | | | | | |
| **Borrowings** | | | | | | |
| Financial liabilities at amortised cost | 108,869 | 110,743 | 116,236 | 2,025 | 5,647 | 1,470 |
| Financial liabilities at fair value through profit and loss | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total borrowings** | **108,869** | **110,743** | **116,236** | **2,025** | **5,647** | **1,470** |
| | | | | | | |
| **Other Long Term Liabilities** | | | | | | |
| PFI and finance lease liabilities | 312 | 525 | 780 | 209 | 256 | 333 |
| **Total other long term liabilities** | **109,181** | **111,268** | **117,016** | **2,234** | **5,903** | **1,803** |
| | | | | | | |
| **Creditors** | | | | | | |
| Financial liabilities at amortised cost | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial liabilities carried at contract amount | 0 | 0 | 0 | 29,458 | 26,960 | 28,615 |
| **Total creditors** | **0** | **0** | **0** | **29,458** | **26,960** | **28,615** |

| | 2011/12 | | | | | 2010/11 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Financial Liabilities | Financial Assets | | | | Financial Liabilities | Financial Assets | | | |
| | Liabilities measured at amortised cost | Loans and receivables | Available-for-sale assets | Assets and Liabilities at Fair Value through Profit and Loss | Total | Liabilities measured at amortised cost | Loans and receivables | Available-for-sale assets | Assets and Liabilities at Fair Value through Profit and Loss | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Interest expense | 6,629 | - | 0 | - | **6,629** | 6,911 | - | 0 | - | **6,911** |
| Losses on derecognition | 0 | 0 | 0 | 0 | **0** | 0 | 0 | 0 | 0 | **0** |
| Reductions in fair value | - | - | - | 0 | **0** | - | - | - | 0 | **0** |
| Impairment losses | - | 0 | 753 | - | **753** | - | 0 | 853 | - | **853** |
| Fee expense | 0 | 0 | 0 | 0 | **0** | 0 | 0 | 0 | 0 | **0** |
| **Total expense in Surplus or Deficit on the Provision of Services** | **6,629** | **0** | **753** | **0** | **7,382** | **6,911** | **0** | **853** | **0** | **7,764** |
| | | | | | | | | | | |
| Interest income | - | 0 | - | - | **0** | - | 0 | - | - | **0** |
| Interest income accrued on impaired financial assets | - | 0 | (853) | - | **(853)** | - | 0 | (1,223) | - | **(1,223)** |
| Increases in fair value | - | - | - | 0 | **0** | - | - | - | 0 | **0** |
| Gains on derecognition | 0 | 0 | 0 | 0 | **0** | 0 | 0 | 0 | 0 | **0** |
| Fee income | 0 | 0 | 0 | 0 | **0** | 0 | 0 | 0 | 0 | **0** |
| **Total income in Surplus or Deficit on the Provision of Services** | **0** | **0** | **(853)** | **0** | **(853)** | **0** | **0** | **(1,223)** | **0** | **(1,223)** |
| | | | | | | | | | | |
| Gains on revaluation | - | - | 0 | - | **0** | - | - | 0 | - | **0** |
| Losses on revaluation | - | - | 0 | - | **0** | - | - | 0 | - | **0** |
| Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment | - | - | 0 | - | **0** | - | - | 0 | - | **0** |
| **Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| | | | | | | | | | | |
| **Net gain/(loss) for the year** | **6,629** | **0** | **(100)** | **0** | **6,529** | **6,911** | **0** | **(370)** | **0** | **6,541** |

### Fair Values of Assets and Liabilities

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

- Estimated ranges of interest rates at 31 March 2012 of 4.2% to 11.25% for loans from the PWLB and 9.69% to 12.00% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows

| | 31/03/12 | | 31/03/11 | |
|---|---|---|---|---|
| | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** |
| | £000 | £000 | £000 | £000 |
| Financial liabilities | 105,825 | 136,474 | 111,334 | 126,333 |
| Long-term creditors | 0 | 0 | 0 | 0 |

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2012) arising from a commitment to pay interest to lenders above current market rates.

## 17. Inventories

Inventories are assets:

- in the form of materials or supplies to be consumed in the production process
- in the form of materials or supplies to be consumed or distributed in the rendering of services
- held for sale or distribution in the ordinary course of operations, or in the process of production for sale or distribution.

| | 2011/12 £,000 | 2010/11 £,000 |
|---|---|---|
| Councilwide Services Inventory | 0 | 7 |
| Neighbourhood Services Inventory | 280 | 223 |
| Highways Salt Inventory | 46 | 30 |
| Normanby Hall Trading | 14 | 11 |
| Sports Facilities Trading | 23 | 20 |
| Highways Materials | 128 | 130 |
| Community Store - Adults | 42 | 44 |
| Total | **533** | **465** |

## 18. Construction Contracts

The Council does not supply construction services for other bodies.

## 19. Debtors

Debtors are financial assets not traded in an active market with fixed or determinable payments that are contractual rights to receive cash or cash equivalents.

| | Long Term Debtors | | Short Term Debtors | |
|---|---|---|---|---|
| | 2011/12 £000 | 2010/11 £000 | 2011/12 £000 | 2010/11 £000 |
| | | | | |
| Government Departments | 0 | 0 | 3,004 | 12,144 |
| Other Local Authorities | 0 | 0 | 1,093 | 1,554 |
| NHS Bodies | 0 | 0 | 106 | 40 |
| Bodies external to general government | 0 | 0 | 8,811 | 9,701 |
| Employee car loans | 40 | 76 | 0 | 0 |
| Loans and advances | 1,155 | 1,190 | 0 | 0 |
| Prepayments | 0 | 0 | 2,142 | 2,481 |
| Impairment of loans and receivables | 0 | 0 | (1,803) | (1,958) |
| **Total of Financial Instruments** | **1,195** | **1,266** | **13,353** | **23,962** |
| | | | | |
| NDR & Council Tax | 0 | 0 | 2,334 | 2,466 |
| Value Added Tax | 0 | 0 | 1,641 | 3,218 |
| **Non-Financial Instruments** | **0** | **0** | **3,975** | **5,684** |
| **Total** | **1,195** | **1,266** | **17,328** | **29,646** |

## 20. Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash in hand and in bank and short term deposits and investments (considered to be cash equivalents), net of outstanding bank overdrafts.

Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the Balance Sheet as follows:

| | 2011/12<br>£000 | 2010/11<br>£000 |
|---|---|---|
| Cash and Bank balances | 432 | 937 |
| Short Term Investments | 7,354 | 16,538 |
| Short Term Deposits | 0 | 0 |
| Bank Overdraft | 0 | (3,227) |
| Total | **7,786** | **14,248** |

## 21. Assets held for sale

These assets are being actively marketed for sale. These include such buildings as Cliff Gardens offices and Station Road Depot, both in Scunthorpe.

| | Current | | Non Current | |
|---|---|---|---|---|
| | 31/03/12<br>£000's | 31/03/11<br>£000's | 31/03/12<br>£000's | 31/03/11<br>£000's |
| **Balance outstanding at start of year** | **0** | | **5,260** | 5,286 |
| Additions | 0 | 0 | 0 | 0 |
| Transferred from Non-Current Assets during year | 0 | 0 | (16) | (671) |
| Revaluation Gains losses taken to Surplus or deficit on the provision of services | 0 | 0 | (85) | 302 |
| Revaluation gains losses other | 0 | 0 | 91 | 423 |
| Impairment losses | 0 | 0 | 0 | 0 |
| Assets declassified as held for sale: | 0 | 0 | 0 | 0 |
| Assets sold Cost | 0 | 0 | (355) | (80) |
| Other Disposals | | | | |
| Transfers between non current and current | 0 | 0 | 0 | 0 |
| **Balance outstanding at year-end** | **0** | **0** | **4,895** | **5,260** |

# 22. Creditors

## Short Term Creditors

These are amounts owed by the Council in the next twelve months, to 31st March 2013.

| | 2011/12<br>£000 | 2010/11<br>£000 |
|---|---|---|
| Government Departments | 9,238 | 4,729 |
| Other Authorities | 674 | 1,322 |
| NHS Bodies | 64 | 24 |
| Bodies external to general government | 0 | 0 |
| NNDR & Council Tax | 0 | 0 |
| Accumulated Absences | 3,699 | 4,652 |
| Receipts in advance | 1,928 | 1,744 |
| Sundry Creditors | 13,855 | 14,489 |
| **Total Short Term Creditors** | **29,458** | **26,960** |

## Long Term Creditors

These are amounts owed by the Council and due for payment after 31st March 2013

| | 2011/12<br>£000 | 2010/11<br>£000 |
|---|---|---|
| **Other creditors falling due after more than one year** | | |
| Government Departments | 0 | 0 |
| Other Councils | 0 | 0 |
| Public corporations and trading funds | 0 | 0 |
| Bodies external to general government | 0 | 0 |
| Other | 44 | 43 |
| **Total Long Term Creditors** | **44** | **43** |

| | | |
|---|---|---|
| **Total Creditors** | **29,502** | **27,003** |

## 23. Provisions

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

| | Balance as At 1 April 2011 £000 | Increase in provision during year £000 | Utilised during year £000 | Unused Amounts Reversed £000 | Interest earned £000 | Balance as at 31 March 2012 £000 |
|---|---|---|---|---|---|---|
| Insurance Claims | 1,804 | 830 | 750 | 0 | 0 | 1,884 |
| Other | 66 | 65 | 55 | 8 | 0 | 68 |
| | **1,870** | **895** | **805** | **8** | **0** | **1,952** |
| **Current Provisions** | 263 | 890 | 263 | 0 | 0 | 890 |
| **Long Term Provisions** | 1,607 | 5 | 542 | 8 | 0 | 1,062 |
| | **1,870** | **895** | **805** | **8** | **0** | **1,952** |

Comparative Year

| | Balance as At 1 April 2010 £000 | Increase in provision during year £000 | Utilised during year £000 | Unused Amounts Reversed £000 | Interest earned £000 | Balance as at 31 March 2011 £000 |
|---|---|---|---|---|---|---|
| Insurance Claims | 1,400 | 1,147 | 743 | 0 | 0 | 1,804 |
| Other | 110 | 38 | 82 | 0 | 0 | 66 |
| | **1,510** | **1,185** | **825** | **0** | **0** | **1,870** |
| **Current Provisions** | 230 | 257 | 224 | 0 | 0 | 263 |
| **Long Term Provisions** | 1,280 | 928 | 601 | 0 | 0 | 1,607 |
| | **1,510** | **1,185** | **825** | **0** | **0** | **1,870** |

## 24. Reserves

This table gives further detail about the Total Authority Reserves with a breakdown of usable and unusable reserves. Unusable reserves such as the Capital Adjustment Account and the Pensions Reserve will need to be funded in the future, even if it is over a long period, so increases in these balances show an increasing burden on future taxpayers.

| | | USABLE RESERVES | | | | | UNUSABLE RESERVES | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Capital Receipts Reserve | Capital Grants Unapplied Account | Earmarked Reserves | General Fund | TOTAL USABLE RESERVES | Capital Adjustment Account | Financial Instruments Adjustment Account | Revaluation Reserve | Pensions Reserve | Deferred Capital Receipts Account | Collection Fund Adjustment Account | Accumulated Absences Account / Employee Statutory Adjustment Account | TOTAL UNUSABLE RESERVES | TOTAL AUTHORITY RESERVES |
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Balance as At 1 April 2011** | | 1,608 | 16,724 | 22,607 | 8,015 | **48,954** | 281,100 | 0 | 75,244 | (177,011) | 22 | 1,392 | (4,652) | **176,095** | **225,049** |
| **Movements during the year:** | | | | | | | | | | | | | | | |
| Applied Capital Grants | *7* | | | | (18,962) | **(18,962)** | 18,962 | | | | | | | **18,962** | **0** |
| Unapplied Capital Grants received in year | *7* | | 7,366 | | (7,366) | **0** | | | | | | | | **0** | **0** |
| Unapplied Capital Grants transferred to CAA in year | *7* | | (15,126) | | | **(15,126)** | 15,126 | | | | | | | **15,126** | **0** |
| Direct Revenue Financing | *7* | | | | (389) | **(389)** | 389 | | | | | | | **389** | **0** |
| Depreciation & impairment adjustment | *7* | | | | 49,092 | **49,092** | (49,092) | | | | | | | **(49,092)** | **0** |
| Amortisation of Intangible Assets adjustment | *7* | | | | 52 | **52** | (52) | | | | | | | **(52)** | **0** |
| Loans/lease principal repayments | *7* | | | | (259) | **(259)** | 259 | | | | | | | **259** | **0** |
| Net Revenue expenditure funded from capital under statute | *7* | | | | 2,190 | **2,190** | (2,190) | | | | | | | **(2,190)** | **0** |
| Surplus/(Deficit) on the Provision of Services | | | | | (21,570) | **(21,570)** | | | | | | | | **0** | **(21,570)** |
| TRANSFER FROM Useable Capital Receiptsequal to the amount payable into the Housing Capital Receipt Pool | *7* | (10) | | | 10 | **0** | | | | | | | | **0** | **0** |
| Transfers to or from earmarked reserves | | | | 3,228 | (3,228) | **0** | | | | | | | | **0** | **0** |
| Net movements on Pension Reserve | *7* | | | | (2,213) | **(2,213)** | | | | 2,213 | | | | **2,213** | **0** |
| Disposal of Non Current Assets/Capital Sales | *7* | 2,846 | | | 11,278 | **14,124** | (13,406) | | (718) | | 0 | | | **(14,124)** | **0** |
| Minimum Revenue Provision For Capital Financing / Loans Pool / Finance Lease / PFI | *7* | | | | (6,421) | **(6,421)** | 6,421 | | | | | | | **6,421** | **0** |
| Capital Receipts used to finance capital expenditure | *7* | (2,968) | | | | **(2,968)** | 2,968 | | | | | | | **2,968** | **0** |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | *7* | | | | 1,215 | **1,215** | | | | | | (1,215) | | **(1,215)** | **0** |
| Adjustments in relation to Short-term compensated absences | *7* | | | | (953) | **(953)** | | | | | | | 953 | **953** | **0** |
| Movement in Investment Property Valuations | *7* | | | | (732) | **(732)** | 732 | | | | | | | **732** | **0** |
| Revaluation | *25* | | | | | **0** | | | 5,625 | (38,712) | | | | **(33,087)** | **(33,087)** |
| Other Movements | *7/25* | 12 | | | 0 | **12** | 4,256 | | (4,256) | | (12) | | | **(12)** | **0** |
| **Total movements on reserves during the year (Change in Net Worth)** | | **(120)** | **(7,760)** | **3,228** | **1,744** | **(2,908)** | **(15,627)** | **0** | **651** | **(36,499)** | **(12)** | **(1,215)** | **953** | **(51,749)** | **(54,657)** |
| **Balance as at 31 March 2012** | | **1,488** | **8,964** | **25,835** | **9,759** | **46,046** | **265,473** | **0** | **75,895** | **(213,510)** | **10** | **177** | **(3,699)** | **124,346** | **170,392** |

| | Note | USABLE RESERVES | | | | | UNUSABLE RESERVES | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **Capital Receipts Reserve** | **Capital Grants Unapplied Account** | **Earmarked Reserves** | **General Fund** | **TOTAL USABLE RESERVES** | **Capital Adjustment Account** | **Financial Instruments Adjustment Account** | **Revaluation Reserve** | **Pensions Reserve** | **Deferred Capital Receipts Account** | **Collection Fund Adjustment Account** | **Accumulated Absences Account** | **TOTAL UNUSABLE RESERVES** | TOTAL AUTHORITY RESERVES |
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Balance as At 1 April 2010** | | 1,600 | 12,995 | 17,907 | 8,468 | **40,970** | 278,956 | (1,223) | 67,817 | (322,917) | 35 | 1,459 | (5,099) | **19,028** | **59,998** |
| **Movements during the year:** | | | | | | | | | | | | | | | |
| Applied Capital Grants | *7* | | | | (26,202) | **(26,202)** | 26,202 | | | | | | | **26,202** | **0** |
| Unapplied Capital Grants received in year | *7* | | 14,906 | | (14,906) | **0** | | | | | | | | **0** | **0** |
| Unapplied Capital Grants transferred to CAA in year | *7* | | (11,177) | | | **(11,177)** | 11,177 | | | | | | | **11,177** | **0** |
| Direct Revenue Financing | *7* | | | | (278) | **(278)** | 278 | | | | | | | **278** | **0** |
| Depreciation & impairment adjustment | *7* | | | | 43,716 | **43,716** | (43,716) | | | | | | | **(43,716)** | **0** |
| Loans/lease principal repayments | *7* | | | | (333) | **(333)** | 333 | | | | | | | **333** | |
| Net Revenue expenditure funded from capital under statute | *7* | | | | 1,840 | **1,840** | (1,840) | | | | | | | **(1,840)** | **0** |
| Surplus/(Deficit) on the Provision of Services | | | | | 63,372 | **63,372** | | | | | | | | **0** | **63,372** |
| TRANSFER FROM Useable Capital Receipts equal to the amount payable into the Housing Capital Receipt Pool | *7* | (14) | | | 14 | **0** | | | | | | | | **0** | **0** |
| Transfers to or from earmarked reserves | | | | 4,700 | (4,700) | **0** | | | | | | | | **0** | **0** |
| Net movements on Pension Reserve | *7* | | | | (53,283) | **(53,283)** | | | | 53,283 | | | | **53,283** | **0** |
| Disposal of Non Current Assets/Capital Sales | *7* | 2,433 | | | (1,132) | **1,301** | (1,301) | | 0 | | 0 | | | **(1,301)** | **0** |
| Minimum Revenue Provision For Capital Financing / Loans Pool / Finance Lease / PFI | *7* | | | | (5,525) | **(5,525)** | 5,525 | | | | | | | **5,525** | **0** |
| Capital Receipts used to finance capital expenditure | *7* | (2,424) | | | | **(2,424)** | 2,424 | | | | | | | **2,424** | **0** |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | *7* | | | | 67 | **67** | | | | | | (67) | | **(67)** | **0** |
| Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements | *7* | | | | (1,223) | **(1,223)** | | 1,223 | | | | | | **1,223** | **0** |
| Adjustments in relation to Short-term compensated absences | *7* | | | | (447) | **(447)** | | | | | | | 447 | **447** | |
| Revaluation | *25* | | | | | **0** | | | 9,056 | 92,623 | | | | **101,679** | **101,679** |
| Movement in Investment Property Values | *7* | | | | (1,433) | **(1,433)** | 1,433 | | | | | | | **1,433** | **0** |
| Other Movements | *7/25* | 13 | | | 0 | **13** | 1,629 | | (1,629) | | (13) | | | **(13)** | **0** |
| **Total movements on reserves during the year (Change in Net Worth)** | | **8** | **3,729** | **4,700** | **(453)** | **7,984** | **2,144** | **1,223** | **7,427** | **145,906** | **(13)** | **(67)** | **447** | **157,067** | **165,051** |
| **Balance as at 31 March 2011** | | **1,608** | **16,724** | **22,607** | **8,015** | **48,954** | **281,100** | **0** | **75,244** | **(177,011)** | **22** | **1,392** | **(4,652)** | **176,095** | **225,049** |

## 25. Usable and Unusable Reserves

### Usable Reserves

#### Capital Receipts Reserve

These are cash receipts from the sale of Council assets, which have not yet been used to finance capital expenditure.

| | 31/03/12<br>£000 | 31/03/11<br>£000 |
|---|---|---|
| **Balance 1 April** | **1,608** | **1,600** |
| Capital Receipts in year | 2,846 | 2,433 |
| Deferred Receipts realised | 12 | 13 |
| | **4,466** | **4,046** |
| **Less:** | | |
| Capital Receipts Pooled | (10) | (14) |
| Capital Receipts used for financing | (2,968) | (2,424) |
| **Balance 31 March** | **1,488** | **1,608** |

#### Capital Grants Unapplied

The balance of Capital Grants Receipts in Advance represents grants received that have yet to be recognised as income, as they have conditions attached to them, which will require the grant to be repaid, if conditions are not met.

| | 31/03/12<br>£000 | 31/03/11<br>£000 |
|---|---|---|
| **Balance on 1 April** | **16,724** | **12,995** |
| Unapplied Capital Grants received in year | 7,366 | 14,906 |
| Unapplied Capital Grants transferred to CAA in year | (15,126) | (11,177) |
| **Balance on 31 March** | **8,964** | **16,724** |

#### Analysis of Capital Grants Receipts in Advance Balance

The balances at the year-end are as follows:

| | Note | 2011/12 £000 | 2010/11 £000 | 2009/10 £000 |
|---|---|---|---|---|
| **Capital Grants Receipts in Advance** | | | | |
| Dclg - Gypsy & Traveller Sites | | (155) | (407) | (470) |
| New Deal For Schools | | (6,137) | (13,660) | (9,571) |
| Foxhills (Friends Sponsorship) | | | (7) | (7) |
| Prg Lpsa Capital Element | | (4) | (138) | (720) |
| Apss Single Capital Pot | | (334) | (334) | (150) |
| Erdf Capital | | 0 | (2) | (2) |
| Improved Storage - 20/21 Arts | | (27) | (27) | (27) |
| Adult Social Care IT Infrastructure | | (150) | (150) | (97) |
| Yorks Fwd-Urban Renaissance | | (97) | (48) | (115) |
| Yorkshire Forward Single Pot | | (5) | 8 | 0 |
| Social Care Reform Grant | | (94) | (94) | 0 |
| South Humber Bank Heritage Project | | 0 | (85) | (233) |
| Sub Regional Housing Project | | (15) | (15) | (76) |
| Advance Crosby | | (86) | (203) | 0 |
| Waste Performance Enhancement | | (41) | (41) | (41) |
| Sub Regional Scheme Management | | 0 | 0 | (71) |
| Section 106 - Capital Contributions | | (745) | (829) | (778) |
| Grant For Imp Care Home Enviro | | (14) | (14) | (14) |
| Local Transport Plan | | (182) | 0 | 0 |
| Regional Housing Project Capital Grant | | 0 | (66) | (44) |
| Defra Wicg Grant | | (20) | (29) | 0 |
| Aiming High for Disabled Children | | | 0 | (80) |
| Alkborough Flats | | (2) | (2) | (2) |
| Ashby National Neighbourhood Initiative | | (2) | (2) | 0 |
| Burringham Parish Council | | | (5) | 0 |
| Childrens Centre Alphabet Nursery | | (9) | (9) | 0 |
| Childrens Centre Rainbow Kindergarten | | (3) | (3) | 0 |
| Childrens Centre Little Tots | | (1) | (1) | 0 |
| Childrens Centre South Ferriby Pre-School | | (2) | (2) | 0 |
| Childrens Centre Happy Stars Day Nursery | | (14) | (14) | 0 |
| Childrens Centre Burton Bears | | (4) | (4) | 0 |
| Childrens Centre The Ark Family Centre | | (5) | (5) | 0 |
| Childrens Centre Epworth Thurlow Pre School | | | (1) | 0 |
| Childrens Centre Winteringham | | (1) | (1) | 0 |
| Coneygarth Farm Day Nursery | | (12) | (12) | 0 |
| Council Tax Bill Design | | | 0 | (10) |
| Crowle Community Resource Cent | | (78) | (78) | (78) |
| Do Re Me | | (1) | (1) | 0 |
| East Common Pre-School | | (4) | (4) | 0 |
| Flood Recovery Grant | | | (41) | (41) |
| Flood Relief Capital Grant | | (65) | (65) | (65) |
| Glenrock Contrib to Env Team Land | | (8) | 0 | 0 |
| Haxey Preschool | | (3) | (3) | 0 |
| Henderson Ave - Sure Start L Programme | | (97) | (58) | 0 |
| Humber Headlevels Natural England | | (45) | (45) | (78) |
| Huntcliff Specialist School | | | 0 | (10) |
| Insurance Capital Contributions | | 202 | 0 | 0 |
| Safety Camera Partnership Dft | | (14) | (14) | (38) |
| Scawby Conbtribution To Capital | | | (13) | 0 |
| Secret Garden | | (15) | (15) | 0 |
| Short Breaks Capital Grant | | (108) | 0 | 0 |
| Special Schools | | (2) | (2) | (2) |
| Ulceby | | (2) | (2) | 0 |
| Wave2 Playbuilder Contributions | | | (6) | 0 |
| Specified Capital Grant | | (175) | (175) | (175) |
| Community Capacity | | (388) | 0 | 0 |
| | | **(8,964)** | **(16,724)** | **(12,995)** |

### Earmarked Reserves

The detail for the earmarked reserves is included in Note 8

## Unuseable Reserves

| | 31/03/12 £000 | 31/03/11 £000 |
|---|---|---|
| Capital Adjustment Account | 265,473 | 281,100 |
| Financial Instruments Adjustment Account | 0 | 0 |
| Revaluation Reserve | 75,895 | 75,244 |
| Pensions Reserve | (213,510) | (177,011) |
| Deferred Capital Receipts Reserve (England and Wales) | 10 | 22 |
| Collection Fund Adjustment Account | 177 | 1,392 |
| Accumulating Compensated Absences Adjustment Account | (3,699) | (4,652) |
| **Total Unusable Reserves** | **124,346** | **176,095** |

### Capital Adjustment Account

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

The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

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

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

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

| | 31/03/12 | | 31/03/11 | |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Balance at 1 April** | | **281,100** | | **278,956** |
| **Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:** | | | | |
| Charges for depreciation and impairment of non current assets | (22,336) | | (13,485) | |
| Revaluation losses on Property, Plant and Equipment | (26,808) | | (30,231) | |
| Revenue expenditure funded from capital under statute | (2,190) | | (1,840) | |
| Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (14,124) | | (1,301) | |
| | | **(65,458)** | | **(46,857)** |
| Adjusting amounts written out of the Revaluation Reserve | | 4,974 | | 1,629 |
| **Net written out amount of the cost of non current assets consumed in the year** | | **(60,484)** | | **(45,228)** |
| **Capital financing applied in the year:** | | | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 2,968 | | 2,424 | |
| Loans Lease principal repayments | 259 | | 333 | |
| Use of the Major Repairs Reserve to finance new capital expenditure | 0 | | 0 | |
| Application of grants to capital financing from the Capital Grants Unapplied Account | 15,126 | | 11,177 | |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 18,962 | | 26,202 | |
| Statutory provision for the financing of capital investment charged against the General Fund balances | 6,421 | | 5,525 | |
| Capital expenditure charged against the General Fund and HRA balances | 389 | | 278 | |
| | | **44,125** | | **45,939** |
| Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | | 732 | | 1,433 |
| Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement | | 0 | | 0 |
| **Balance at 31 March** | | **265,473** | | **281,100** |

## Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The council uses the Account to manage premiums paid on the early redemption of loans. It also uses the account to hold the impairment charges on its investments with Icelandic banks in administration whilst it was able to do so by statute.

Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement.

Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

| | 31/03/12 £000 | 31/03/11 £000 |
|---|---|---|
| **Balance at 1 April** | **0** | **(1,223)** |
| Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement | 0 | 0 |
| Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements | 0 | 0 |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | 0 | 1,223 |
| **Balance at 31 March** | **0** | **0** |

## Revaluation Reserve

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

The balance is reduced when assets with accumulated gains are:

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

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

| | 31/03/12 £000 | 31/03/11 £000 |
|---|---|---|
| **Balance at 1 April** | 75,244 | 67,817 |
| Upward revaluation of assets | 5,625 | 9,056 |
| Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | 0 | 0 |
| Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | **5,625** | **9,056** |
| Difference between fair value depreciation and historical cost depreciation | (4,256) | (1,629) |
| Revaluation balances on assets scrapped or disposed of | (718) | 0 |
| **Balance at 31 March** | **75,895** | **75,244** |

## Pensions Reserve

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

| | 31/03/12 £000 | 31/03/11 £000 |
|---|---|---|
| **Balance at 1 April** | **(177,011)** | **(322,917)** |
| Actuarial gains or losses on pensions assets and liabilities | (38,712) | 92,623 |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | 2,213 | 53,283 |
| **Balance at 31 March** | **(213,510)** | **(177,011)** |

## Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place.

Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts.

When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

| | 31/03/12<br>£000 | 31/03/11<br>£000 |
|---|---|---|
| **Balance at 1 April** | **22** | **35** |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 0 | 0 |
| Transfer to the Capital Receipts Reserve upon receipt of cash | (12) | (13) |
| **Balance at 31 March** | **10** | **22** |

## Collection Fund Adjustment Account

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

| | 31/03/12<br>£000 | 31/03/11<br>£000 |
|---|---|---|
| **Balance at 1 April** | **1,392** | **1,459** |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | (1,215) | (67) |
| **Balance at 31 March** | **177** | **1,392** |

## Accumulating Compensated Absences Adjustment Account

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

| | 31/03/12<br>£000 | 31/03/11<br>£000 |
|---|---|---|
| **Balance at 1 April** | **(4,652)** | **(5,099)** |
| Settlement or cancellation of accrual made at the end of the preceding year | 4,652 | 5,099 |
| Amounts accrued at the end of the current year | (3,699) | (4,652) |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 0 | 0 |
| **Balance at 31 March** | **(3,699)** | **(4,652)** |

## 26. Cash Flow from Operating Activities

| Analysis of Adjustments to Surplus/Deficit on the Provision of Services | | |
|---|---|---|
| | 2011/12<br>£000 | 2010/11<br>£000 |
| **Net Surplus or (Deficit) on the Provision of Services** | **21,570** | **(63,372)** |
| **Adjustment to surplus or deficit on the provision of services for noncash movements** | | |
| Depreciation | 22,284 | 13,485 |
| Impairment & downward revaluations (& non-sale derecognitions) | 26,808 | 30,231 |
| Amortisation | 52 | 0 |
| (Increase)/Decrease in Inventory | (68) | (4) |
| (Increase)/Decrease in Debtors | 2,631 | (1,303) |
| Amortised Premium | 16 | 16 |
| Housing Pooled Capital Receipts | 0 | 0 |
| Increase/(decrease) in impairment provision for bad debts | 0 | 15 |
| Increase/(Decrease) in Creditors | 2,966 | 34 |
| Increase/(Decrease) in Interest Creditors | (3) | (5) |
| Movement in Pension Liability | (2,213) | (53,283) |
| Carrying amount of non-current assets sold | 14,124 | 1,301 |
| Contributions to Other Reserves/Provisions | 82 | 360 |
| Adjust for Impairment reduction on cash equivalents | (100) | (370) |
| Movement in value of investment properties | (732) | (1,433) |
| **Sub Total** | **65,847** | **(10,956)** |
| **Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities** | | |
| Proceeds from the sale of PP&E, investment property and intangible assets | (2,846) | (2,466) |
| Capital grants included in "Taxation & non-specific grant income" | (26,328) | (41,108) |
| **Sub Total** | **(29,174)** | **(43,574)** |
| **Net Surplus/(Deficit) less Adjustments** | **15,103** | **8,842** |

| | 2011/12<br>£000 | 2010/11<br>£000 |
|---|---|---|
| Interest Paid | **(6,616)** | **(6,326)** |
| Interest Received | **214** | **264** |
| Dividends Received | **0** | **0** |

## 27. Cash Flow from Investing Activities

| | 2011/12<br>£000 | 2010/11<br>£000 |
|---|---|---|
| Purchase of PP&E, investment property and intangible assets | (56,437) | (62,239) |
| Purchase of Short Term Investments (not considered to be cash equivalents) | 0 | 0 |
| Purchase of Long Term Investments | (5) | 0 |
| Other Payments for Investing Activities | (10) | (47) |
| Proceeds from the sale of PP&E, investment property and intangible assets | 2,734 | 2,208 |
| Other Capital Cash Receipts | 0 | 79 |
| Proceeds from Short Term Investments (not considered to be cash equivalents) | 988 | 748 |
| Proceeds from Long Term Investments | 0 | 0 |
| Capital Grants and Contributions Received | 26,664 | 47,000 |
| Other Receipts from Investing Activities | 0 | 0 |
| **Net Cash flows from Investing Activities** | **(26,066)** | **(12,251)** |

## 28. Cash flows from Financing Activities

| | 2011/12<br>£000 | 2010/11<br>£000 |
|---|---|---|
| Cash Receipts from Short and Long Term Borrowing | 0 | 0 |
| Appropriation to/from Collection Fund Adjustment Account | (1,215) | (67) |
| Other Receipts from Financing Activities | 0 | 0 |
| Cash payments for the reduction of the outstanding liability relating to a finance lease and on-Balance Sheet PFI contracts | (260) | (332) |
| Repayment of Short and Long Term Borrowing | (5,509) | (1,327) |
| Council Tax and NNDR Adjustments | 11,485 | (4,914) |
| Other payments for Financing Activities | 0 | 0 |
| **Net Cash flows from Financing Activities** | **4,501** | **(6,640)** |

## 29. Amounts Reported for Resource Allocation Decisions

This note starts with the outturn information previously reported categorised into the council’s internal management structure.

| 2011/12 | Childrens & Young Peoples Services £,000 | Adult Social Care £,000 | Corporate & Community Services £,000 | Infrastructure £,000 | Schools £,000 | Neighbourhood Services £,000 | Finance £,000 | Central Budgets £,000 | Total £,000 |
|---|---|---|---|---|---|---|---|---|---|
| Fees, charges & other service income | 5,887 | 20,419 | 2,438 | 22,706 | 8,023 | 17,162 | 2,982 | 4,393 | 84,010 |
| Government grants | 22,254 | 1,781 | 1,987 | 254 | 96,447 | 251 | 55,721 | 1,090 | 179,785 |
| **Total Income** | **28,141** | **22,200** | **4,425** | **22,960** | **104,470** | **17,413** | **58,703** | **5,483** | **263,795** |
| | | | | | | | | | |
| Employee expenses | 25,214 | 14,805 | 10,288 | 17,561 | 76,191 | 15,553 | 5,729 | 2,890 | 168,231 |
| Other service expenses | 28,592 | 45,492 | 4,627 | 22,543 | 25,054 | 17,969 | 56,993 | 21,824 | 223,094 |
| | | | | | | | | | |
| **Total Expenditure** | **53,806** | **60,297** | **14,915** | **40,104** | **101,245** | **33,522** | **62,722** | **24,714** | **391,325** |
| | | | | | | | | | |
| **Net Expenditure** | **25,665** | **38,097** | **10,490** | **17,144** | **-3,225** | **16,109** | **4,019** | **19,231** | **127,530** |

| 2010/11 | Childrens & Young Peoples Services £,000 | Adult Social Care £,000 | Corporate & Community Services £,000 | Infrastructure £,000 | Schools £,000 | Neighbourhood Services £,000 | Finance £,000 | Central Budgets £,000 | Total £,000 |
|---|---|---|---|---|---|---|---|---|---|
| Fees, charges & other service income | 7,409 | 22,199 | 3,478 | 23,689 | 4,825 | 17,435 | 4,437 | 4,531 | 88,003 |
| Government grants | 31,968 | 3,239 | 2,513 | 2,458 | 100,860 | 618 | 52,927 | 2,741 | 197,324 |
| **Total Income** | **39,377** | **25,438** | **5,991** | **26,147** | **105,685** | **18,053** | **57,364** | **7,272** | **285,327** |
| | | | | | | | | | |
| Employee expenses | 29,336 | 15,474 | 10,677 | 18,911 | 81,816 | 15,970 | 5,978 | 3,792 | 181,954 |
| Other service expenses | 39,417 | 48,815 | 6,174 | 24,181 | 24,322 | 19,490 | 55,371 | 25,200 | 242,970 |
| | | | | | | | | | |
| **Total Expenditure** | **68,753** | **64,289** | **16,851** | **43,092** | **106,138** | **35,460** | **61,349** | **28,992** | **424,924** |
| | | | | | | | | | |
| **Net Expenditure** | **29,376** | **38,851** | **10,860** | **16,945** | **453** | **17,407** | **3,985** | **21,720** | **139,597** |

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement. Net expenditure is adjusted before it is further analysed.

| | 2011/12<br>£000 | 2010/11<br>£000 |
|---|---|---|
| Net expenditure in the Service Analysis | 127,530 | 139,597 |
| Net expenditure of services and support services not included in the Analysis | 0 | 0 |
| Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis | (100,116) | (192,303) |
| Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement | (5,844) | (10,666) |
| Surplus or Deficit on provision of services | 21,570 | (63,372) |

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement. This analysis includes the common year-end adjustments such as depreciation and pension adjustments that members have not received in year and have no effect on the council's balances.

| 2011/12 | Directorate Analysis £000 | Services and Support Services not in Analysis £000 | Amounts not reported to manage-ment for decision making £000 | Amounts not included in I&E £000 | Allocation of Recharges £000 | Cost of Services £000 | Corporate Amounts £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|
| Fees, charges & other service income | 84,010 | - | 2,213 | - | - | - | | **86,223** |
| Surplus or deficit on associates and joint ventures | - | - | - | - | - | - | - | **0** |
| Interest and investment income | - | - | - | - | - | - | - | **0** |
| Income from council tax | - | - | - | -1,215 | - | - | 67,651 | **66,436** |
| Government grants and contributions | 179,785 | - | 26,328 | - | - | - | 64,989 | **271,102** |
| Total Income | **263,795** | **0** | **28,541** | **-1,215** | **0** | **0** | **132,640** | **423,761** |
| | | | | | | | | |
| Employee expenses | 168,231 | - | - | - | - | -953 | - | **167,278** |
| Other service expenses | 223,094 | - | -853 | -6,810 | - | 2,190 | | **217,621** |
| Support Service recharges | - | - | - | - | - | - | - | **0** |
| Depreciation, amortisation and impairment | - | | 49,144 | - | - | - | - | **49,144** |
| Interest Payments | - | - | - | - | - | - | - | **0** |
| Precepts & Levies | - | - | - | - | - | - | - | **0** |
| Payments to Housing Capital Receipts Pool | - | - | - | - | - | **-** | 10 | **10** |
| Gain or Loss on Disposal of Fixed Assets | - | - | - | - | - | **-** | 11,278 | **11,278** |
| Total expenditure | **391,325** | **0** | **48,291** | **-6,810** | **0** | **1,237** | **11,288** | **445,331** |
| | | | | | | | | |
| **Surplus or deficit on the provision of services** | **127,530** | **0** | **19,750** | **-5,595** | **0** | **1,237** | **-121,352** | **21,570** |

| 2010/11 | Directorate Analysis £000 | Services and Support Services not in Analysis £000 | Amounts not reported to manage-ment for decision making £000 | Amounts not included in I&E £000 | Allocation of Recharges £000 | Cost of Services £000 | Corporate Amounts £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|
| Fees, charges & other service income | 88,003 | - | 53,283 | - | - | - | - | **141,286** |
| Surplus or deficit on associates and joint ventures | - | - | - | - | - | - | - | **0** |
| Interest and investment income | - | - | - | - | - | - | - | **0** |
| Income from council tax | - | - | - | -67 | - | - | 67,467 | **67,400** |
| Government grants and contributions | 197,324 | - | 41,109 | 3,419 | - | 0 | 72,957 | **314,809** |
| **Total Income** | **285,327** | **0** | **94,392** | **3,352** | **0** | **0** | **140,424** | **523,495** |
| | | | | | | | | |
| Employee expenses | 181,954 | - | - | - | - | -447 | - | **181,507** |
| Other service expenses | 242,970 | - | -1,223 | -6,136 | - | 1,840 | - | **237,451** |
| Support Service recharges | - | - | - | - | - | - | - | **0** |
| Depreciation, amortisation and impairment | - | - | 42,283 | - | - | - | - | **42,283** |
| Interest Payments | - | - | - | - | - | - | - | **0** |
| Precepts & Levies | - | - | - | - | - | - | - | **0** |
| Payments to Housing Capital Receipts Pool | - | - | - | - | - | - | 14 | **14** |
| Gain or Loss on Disposal of Fixed Assets | - | - | | - | - | - | -1,132 | **-1,132** |
| **Total expenditure** | **424,924** | **0** | **41,060** | **-6,136** | **0** | **1,393** | **-1,118** | **460,123** |
| | | | | | | | | |
| **Surplus or deficit on the provision of services** | **139,597** | **0** | **-53,332** | **-9,488** | **0** | **1,393** | **-141,542** | **-63,372** |

## 30. Acquired and Discontinued Operations

During 2011/12, North Lincolnshire Council did not acquire any material operations.

## 31. Significant Trading Operations

| | 2011/12 | | | 2010/11 | | | 2009/10 | 2008/09 | 2007/08 |
|---|---|---|---|---|---|---|---|---|---|
| | Expenditure | Income | Net Expenditure / (Income) | Expenditure | Income | Net Expenditure/ (Income) | Net Expenditure/ (Income) | Net Expenditure/ (Income) | Net Expenditure/ (Income) |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Fleet Management & Maintenance | 4,867 | (5,098) | **(231)** | 5,799 | (5,712) | **87** | **(751)** | **(596)** | **(379)** |
| Building Cleaning/ Maintenance | 1,790 | (1,708) | **82** | 1,843 | (1,721) | **122** | **43** | **153** | **101** |
| Catering | 5,325 | (5,462) | **(137)** | 5,751 | (5,506) | **245** | **38** | **138** | **(15)** |
| Markets | 644 | (600) | **44** | 744 | (528) | **216** | **105** | **(42)** | **(44)** |
| Digital Print Services | 223 | (141) | **82** | 294 | (196) | **98** | **104** | **162** | **222** |
| Building Control | 515 | (394) | **121** | 592 | (466) | **126** | **42** | **177** | **28** |
| B-Line (discontinued) | 0 | 0 | **0** | 0 | 0 | **0** | **0** | **0** | **1,047** |
| **Total** | **13,364** | **(13,403)** | **(39)** | **15,023** | **(14,129)** | **894** | **(419)** | **(8)** | **960** |

## 32. Agency Services

The council does not have any Agency services agreements.

## 33. Road Charging Schemes Under the Transport Act 2000

The council does not have any road charging schemes under the Transport Act 2000.

## 34. Pooled Budgets

| Funding provided to the pooled budget: | 2011/12 Learning Disability £000 | 2011/12 Mental Health £000 | 2010/11 Learning Disability £000 | 2010/11 Mental Health £000 |
|---|---|---|---|---|
| The Authority | 4,502 | 2,452 | 4,408 | 2,545 |
| The Trust | 535 | 16,242 | 2,158 | 16,517 |
| Contribution from prior year Reserve | 4 | 0 | 204 | 0 |
| | **5,041** | **18,694** | **6,770** | **19,062** |
| **Expenditure met from the pooled budget:** | | | | |
| The Authority | 4,653 | 2,275 | 4,608 | 19,150 |
| The Trust | 388 | 16,799 | 2,158 | 0 |
| | **5,041** | **19,074** | **6,766** | **19,150** |
| **Net surplus arising on the pooled budget during the year** | **0** | **-380** | **4** | **-88** |

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

## 35. Members' Allowances

During the year Members' allowances, including Employer's costs totalled £615,000 (2010/11 £710,615) and are as follows:

| | 2011/12 £000 | 2010/11 £000 |
|---|---|---|
| Salaries | 0 | 0 |
| Basic allowance | 305 | 328 |
| Mayor's & Deputy Mayor's Allowance | 27 | 22 |
| Dependents' carers allowance | 1 | 2 |
| Employer costs | 0 | 0 |
| Mileage | 39 | 43 |
| Conferences and Courses | 0 | 0 |
| Travel Costs | 0 | 1 |
| Subsistence | 3 | 16 |
| Special responsibility allowances | 240 | 290 |
| Miscellaneous | 0 | 9 |
| | 0 | 0 |
| | **615** | **711** |

# 36. Senior Officer's Remuneration

| Continuing Employees | | Basic Salary | Salary Supplement | Benefit in Kind | Reimbursement of Expenses | Compensation for Loss of Office | Pension Contribution | Total |
|---|---|---|---|---|---|---|---|---|
| | | £ | £ | £ | £ | £ | £ | £ |
| Chief Executive | **2011/12** | **129,699** | **0** | **5,338** | **199** | **0** | **28,923** | **164,159** |
| | 2010/11 | 129,699 | 0 | 5,140 | 389 | 0 | 28,923 | **164,151** |
| Director of Children and Young People's Services | **2011/12** | **97,430** | **5,846** | **0** | **330** | **0** | **22,373** | **125,979** |
| | 2010/11 | 97,430 | 5,846 | 0 | 337 | 0 | 22,373 | **125,986** |
| Director of Adult Social Services | **2011/12** | **87,000** | **0** | **4,273** | **812** | **0** | **19,401** | **111,486** |
| | 2010/11 | 85,500 | 0 | 4,059 | 404 | 0 | 19,067 | **109,030** |
| Director of Finance Services | **2011/12** | **85,500** | **1,123** | **4,003** | **175** | **0** | **19,067** | **109,868** |
| | 2010/11 | 84,000 | 0 | 4,927 | 137 | 0 | 18,732 | **107,796** |
| Director of Infrastructure Services | **2011/12** | **84,000** | **0** | **9,007** | **39** | **0** | **18,732** | **111,778** |
| | 2010/11 | 81,000 | 0 | 8,675 | 216 | 0 | 18,063 | **107,954** |
| Director of Neighbourhood Services | **2011/12** | **85,500** | **0** | **8,222** | **983** | **0** | **20,280** | **114,985** |
| | 2010/11 | 85,464 | 0 | 7,865 | 451 | 0 | 19,945 | **113,726** |
| Director of Corporate & Community Services | **2011/12** | **82,500** | **0** | **9,367** | **21** | **0** | **18,398** | **110,286** |
| | 2010/11 | 78,000 | 0 | 9,038 | 62 | 0 | 17,394 | **104,494** |
| Head of Regeneration & Planning | **2011/12** | **57,924** | **0** | **3,740** | **536** | **0** | **12,917** | **75,117** |
| | 2010/11 | 57,924 | 0 | 3,475 | 0 | 0 | 12,917 | **74,316** |

| Resigned, Redundant or Retired Employees | | Basic Salary | Salary Supplement | Benefit in Kind | Reimbursement of Expenses | Compensation for Loss of Office | Pension Contribution | Total |
|---|---|---|---|---|---|---|---|---|
| | | £ | £ | £ | £ | £ | £ | £ |
| WorkSmart programme director | **2011/12** | **23,295** | **1,193** | **0** | **94** | **44,215** | **113,565** | **182,362** |
| | 2010/11 | 78,000 | 0 | 4,680 | 452 | 0 | 17,394 | **100,526** |
| Head of Strategy Development | **2011/12** | **38,291** | **2,317** | **0** | **0** | **25,550** | **8,611** | **74,770** |
| | 2010/11 | 57,924 | 0 | 3,500 | 559 | 0 | 12,917 | **74,900** |
| Deputy Chief Executive | **2011/12** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| | 2010/11 | 97,227 | 5,913 | 0 | 45 | 0 | 21,977 | **125,162** |
| Service Director Highways and Planning | **2011/12** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| | 2010/11 | 57,360 | 0 | 5,864 | 190 | 39,185 | 13,865 | **116,465** |
| Service Director Transition and Development | **2011/12** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| | 2010/11 | 23,537 | 0 | 0 | 38 | 47,763 | 256,166 | **327,503** |
| Service Director Legal and Democratic | **2011/12** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| | 2010/11 | 80,271 | 0 | 3,886 | 0 | 46,503 | 18,024 | **148,684** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2011/12 Totals | **771,139** | **10,479** | **43,950** | **3,190** | **69,765** | **282,266** | **1,180,789** |
| 2010/11 Totals | **1,093,337** | **11,759** | **61,109** | **3,279** | **133,451** | **497,757** | **1,800,692** |

In 2010/11 the employer's pension contributions figure includes £251,000 paid to the East Riding Pension Fund (not the retiring individual) regarding the retirement of the Service Director Transition & Development under the Council's retirement policy.

In 2011/12 the employer's pension contribution figure includes £109,133 paid to the East Riding Pension Fund (not the retiring individual) regarding the retirement of the Worksmart Programme Director, formerly the Director of Human Resource under the Council's retirement policy.

The other pension contributions were made by the council to the pension fund as part of the relevant employee's normal employment.

Senior Employees' Remuneration

| | | | | 2011/2012 | | | | 2010/2011 |
|---|---|---|---|---|---|---|---|---|
| | Teachers | Other Staff | Terminated Employment | Total | Teachers | Other Staff | Terminated Employment | Total |
| £50,00 to £55,000 | 34 | 35 | | **69** | 39 | 35 | | **74** |
| £55,001 to £60,000 | 28 | 10 | | **38** | 34 | 13 | 2 | **49** |
| £60,001 to £65,000 | 24 | 7 | | **31** | 29 | 8 | | **37** |
| £65,001 to £70,000 | 7 | 2 | | **9** | 5 | 1 | 1 | **7** |
| £70,001 to£ 75,000 | 4 | 1 | 1 | **6** | 4 | 2 | 2 | **8** |
| £75,001 to £80,000 | 2 | 1 | | **3** | 4 | 1 | 6 | **11** |
| £80,001 to £85,000 | 3 | 0 | | **3** | 4 | 0 | 1 | **5** |
| £85,001 to £90,000 | 2 | 0 | | **2** | 2 | 1 | | **3** |
| £90,001 to £95,000 | 0 | 0 | | **0** | 0 | 0 | 1 | **1** |
| £95,001 to £100,000 | 0 | 0 | | **0** | 0 | 0 | 1 | **1** |
| £100,001 to £105,000 | 0 | 0 | | **0** | 0 | 0 | | **0** |
| £105,001 to £110,000 | 1 | 0 | | **1** | 1 | 0 | | **1** |
| £110,001 to £115,000 | 0 | 0 | | **0** | 1 | 0 | | **1** |
| | **105** | **56** | **1** | **162** | **123** | **61** | **14** | **198** |

The above table does not include the Senior Officers listed individually on the preceding pages.

## 37. External Audit Fees

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

| | 2011/12<br>£000 | 2010/11<br>£000 |
|---|---|---|
| External Audit Fees | 211 | 231 |
| Grant Claim Certification Fees | 52 | 57 |
| Other Fees | 2 | 17 |
| | **265** | **305** |

## 38. Dedicated Schools Grant

A disclosure that demonstrates whether the Dedicated Schools Grant (made under section 14 of the Education Act 2002) has been deployed in accordance with regulations made under sections 45A, 45AA, 47, 48(1) and (2) and 138(7) of, and paragraph 1(7)(b) of Schedule 14 to, the School Standards Framework Act 1998 (England).

Details of the deployment of the DSG receivable in 2011/12 are as follows:

| | Central Expenditure<br>£000 | Individual Schools Budget<br>£000 | Total |
|---|---|---|---|
| Final DSG for 2011/12 | | | 111,965 |
| Brought forward from 2010/11 | | | 1,659 |
| Carry forward to 2012/13 (agreed in advance) | | | 0 |
| Sub Total | | | **113,624** |
| Less adjustment for academy conversions | | | **-6,312** |
| Agreed budgeted distribution in 2011/12 | 12,018 | 95,294 | **107,312** |
| Actual central expenditure | 8,879 | | |
| Actual ISB deployed to schools | | 93,550 | |
| Local Authority contribution for 2011/12 | 0 | 0 | **0** |
| Carry forward to 2012/13 (agreed in advance) | 3,139 | 1,744 | **4,883** |

## 39. Grant Income

| | Note | 2011/12<br>£,000 | 2010/11<br>£,000 |
|---|---|---|---|
| **Credited to taxation and non Specific Income** | | | |
| Revenue Support Gramt | 11 | (14,910) | (7,894) |
| Area based Grant | 11 | 0 | (11,952) |
| New Homes Bonus | 11 | (570) | 0 |
| Council Tax Reduction Grant | 11 | (1,657) | 0 |
| Capital Grants | 11 | (26,328) | (41,108) |
| Redistributed NNDR | 11 | (48,235) | (54,362) |
| | | | |
| **Total** | | **(91,700)** | **(115,316)** |
| | | | |
| **Credited to Services** | | | |
| | | | |
| Dedicated Schools Grant | 38 | (105,653) | (95,544) |
| Department for Transport - Pothole Funding | | 0 | (1,096) |
| DCSF - Schools Standards Fund | | | (13,541) |
| DCSF - Pupil Premium | | (1,723) | |
| DCSF - Surestart Grant | | (7,218) | (5,642) |
| DOH - Learning Disability Health Reform | | (1,768) | 0 |
| DWP - Housing Benefits Admin Subsidy | | (1,467) | (1,493) |
| DWP - Council Tax Benefits Subsidy | | (13,115) | (13,322) |
| DWP - Rent Allowance Subsidy | | (41,006) | (37,988) |
| DCLG - Supporting People | | 0 | (1,418) |
| Young People's Learning Agency - 16-18 Funding | | (1,007) | (7,537) |
| Skills Funding Agency | | (1,469) | 0 |
| | | | |
| **Total** | | **(174,426)** | **(177,581)** |

## 40. Related Party Transactions

### Related Parties

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

## Central Government

Central government has effective control over the general operations of the Authority– it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 29 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2012 are shown in Note 38.

## Members

Members of the council have direct control over the council's financial and operating policies . The total of members' allowances paid in 2011/12 is shown in Note 35. During 2011/12, works and services to the value of £1.7k were commissioned from companies in which one member had an interest. Contracts were entered into in full compliance with the council's standing orders. In addition, the council paid grants and other payments totalling £330k to voluntary organisations and £151k to Charities in which twelve members had interests. In all instances, the payments were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the payments.

## Officers

Payments totalling £26k were made to companies in which senior officers had an interest or to individuals related to senior officers. The payments were made in accordance with standing orders and the officers were not involved in the decision to make the payment. In addition £441k of grants were paid to voluntary organisations in which senior officers had an interest. The officers took no part in the award of the grant funding.

In addition one officer was appointed as the Council's nominee Director of Engage North Lincolnshire. This Company is a Local Education Partnership and is managing the Council's Building Schools for the future project. In year spend with this company was £23.2m.

## Table of Members and Officers Related Organisations Board membership

The table below gives a list of Members and key Officers membership of controlling boards of organisations related to the council. In the case of members they are the council's nominated representatives on these boards. In the main the same is true of officers but some hold these posts independently of being council employees.

| Councillor/Officer | Organisation |
|---|---|
| Councillor Liz Redfern | Member of Humberside Airport |
| Councillor Mashook Ali | Member of Humber Bridge Board |
| Councillor Keith Vickers | Member of Humber Bridge Board |
| Councillor Paul Vickers | Member of Humber Bridge Board |
| Councillor Susan Armitage | Member of Humber Bridge Board |
| Councillor Jonathan Evison | Member of Humber Bridge Board |
| Councillor John Briggs | Member of Humberside Fire Authority |
| Councillor Stephen Swift | Member of Humberside Fire Authority |
| Councillor Rob Waltham | Member of Humberside Fire Authority |
| Councillor David Wells | Member of Humberside Fire Authority |
| Councillor Jawaid Ishaq | Member of Humberside Police Authority |
| Councillor John England | Member of Humberside Police Authority |
| Councillor Stuart Wilson | Nominated Governor of Northern Lincolnshire and Goole Hospitals NHS Foundation Trust |
| Councillor Liz Redfern | Member of North Lincolnshire Homes Board |
| Councillor Rob Waltham | Member of North Lincolnshire Homes Board |
| Councillor Susan Bainbridge | Member of North Lincolnshire Homes Board |
| Councillor Carl Sherwood | Member of North Lincolnshire Homes Board |
| Councillor Arthur Bunyan | Trustee of Humber & Wold Rural Community Council |
| Councillor Mark Kirk | Member of Yorkshire Forward Regional Development Agency Board |
| Councillor Carl Sherwood | Member of the Safer Neighbourhood Strategy Board |
| Councillor Trevor Foster | Member of the Safer Neighbourhood Strategy Board |
| Susan Twemlow | Member of the Safer Neighbourhood Strategy Board |
| Dave Hey | Member of the Safer Neighbourhood Strategy Board |
| Neil Laminman | Member of the Safer Neighbourhood Strategy Board |
| Stuart Minto | Member of the Safer Neighbourhood Strategy Board |
| Ian Welch | Member of the Safer Neighbourhood Strategy Board |
| Simon Driver (Chief Executive) | Director Correct Compliance Ltd |
| Marcus Walker | Board Member Humber Chemical Focus |
| Jenny Couch | Corporation Board Member of John Leggott College |
| Simon Driver (Chief Executive) | Corporation Board Member of John Leggott College |
| Marcus Walker | Board Member North Lindsey College |

## 41. Capital Expenditure and Capital Financing

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

| Capital Expenditure and Capital Financing | 2011/12<br>£000 | 2010/11<br>£000 |
|---|---|---|
| Opening Capital Financing Requirement | **141,961** | **125,020** |
| Property, Plant and Equipment | 54,975 | 60,915 |
| Investment Properties | 100 | 125 |
| Intangible Assets | 169 | 0 |
| Heritage Assets | 0 | 0 |
| Other | 1,495 | 0 |
| Revenue Expenditure Funded from Capital under Statute | 2,190 | 1,840 |
| | **58,929** | **62,880** |
| ***Sources of finance*** | | |
| Capital receipts | (2,968) | (2,424) |
| Government grants and other contributions | (34,088) | (37,379) |
| Other Contributions | 0 | 0 |
| **Sums set aside from revenue:** | | |
| Direct revenue contributions: | | |
| General | (389) | (278) |
| Developers Contributions S106 | | |
| [MRP/loans fund principal] | (6,680) | (5,858) |
| | **(44,125)** | **(45,939)** |
| Closing Capital Finance Requirement | **156,765** | **141,961** |
| | | |
| **Explanation of movements in year** | | |
| Increase in underlying need to borrowing (supported by government financial assistance) | 0 | 3,579 |
| Increase in underlying need to borrowing (unsupported by government financial assistance) | 14,804 | 13,362 |
| Assets acquired under finance leases: | 0 | 0 |
| Assets acquired under PFI/PPP contracts | 0 | 0 |
| *Increase/(decrease) in Capital Financing Requirement* | 14,804 | 16,941 |

# 42. Leases

## Finance Leases

The Council as Lessee (Included in Vehicle, Plant & Equipment)

| | Vehicles £000 | Equipment £000 | TOTAL |
|---|---|---|---|
| **Cost or Valuation** | | | |
| Opening Balance | 2,067 | 0 | **2,067** |
| Additions | 0 | 0 | **0** |
| Disposals | 0 | 0 | **0** |
| Closing Balance | 2,067 | 0 | **2,067** |
| | | | |
| **Depreciation** | | | |
| Opening Balance | 953 | 0 | **953** |
| Disposals | 0 | 0 | **0** |
| Provided for year | 341 | 0 | **341** |
| Closing Balance | 1,294 | 0 | **1,294** |
| | | | |
| **Net Book Value** | | | |
| **Balance as at 31 March 2012** | **773** | **0** | **773** |
| **Balance as at 31 March 2011** | **1,114** | **0** | **1,114** |

Comparative Year

| | Vehicles £000 | Equipment £000 | TOTAL |
|---|---|---|---|
| **Cost or Valuation** | | | |
| Opening Balance | 2,067 | 0 | **2,067** |
| Additions | 0 | 0 | **0** |
| Disposals | 0 | 0 | **0** |
| Closing Balance | 2,067 | 0 | **2,067** |
| | | | |
| **Depreciation** | | | |
| Opening Balance | 503 | 0 | **503** |
| Disposals | 0 | 0 | **0** |
| Provided for year | 450 | 0 | **450** |
| Closing Balance | 953 | 0 | **953** |
| | | | |
| **Net Book Value** | | | |
| **Balance as at 31 March 2011** | **1,114** | **0** | **1,114** |
| **Balance as at 31 March 2010** | **1,564** | **0** | **1,564** |

| | Within 1 year £000 | 1 to 5 years £000 | After 5 years £000 | Total £000 |
|---|---|---|---|---|
| **31/03/12** | | | | |
| Finance leases payments | 243 | 358 | 0 | **601** |
| Less: finance charges | (34) | (46) | 0 | **(80)** |
| ***Net present value*** | **209** | **312** | **0** | **521** |
| **31/03/11** | | | | |
| Finance leases payments | 298 | 605 | 0 | **903** |
| Less: finance charges | (42) | (80) | 0 | **(122)** |
| ***Net present value*** | **256** | **525** | **0** | **781** |

Included in the balance sheet:

| | 31/03/12 £000 | 31/03/11 £000 |
|---|---|---|
| Current liabilities | 209 | 256 |
| Long term liabilities | 312 | 525 |
| | 521 | 781 |

Operating Leases (Council as lessee)

The Council has acquired some of its vehicles by entering into operating leases with typical lives of 5-7 years

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

| | 2011/12 | | 2010/11 | |
|---|---|---|---|---|
| | Land and buildings £000 | Vehicles, plant and equipment £000 | Land and buildings £000 | Vehicles, plant and equipment £000 |
| | | | | |
| Minimum lease payments | 0 | 257 | 0 | 270 |
| Contingent rentals | 0 | 0 | 0 | 0 |
| Less: Sublease payments receivable | 0 | (17) | 0 | (22) |
| | - | - | - | - |
| | **0** | **240** | **0** | **248** |

Sub lease payments were received from Humberside Airport for three vehicles.

The future minimum lease payments due under non-cancellable operating leases in future years are set out below:

| | 2011/12 | | 2010/11 | |
|---|---|---|---|---|
| | Land and buildings | Vehicles, plant and equipment | Land and buildings | Vehicles, plant and equipment |
| | £000 | £000 | £000 | £000 |
| Minimum lease rentals payable: | | | | |
| No later than 1 year | 0 | 324 | 0 | 407 |
| Later than 1 year and no later than 5 years | 0 | 410 | 0 | 804 |
| Later than 5 years | 0 | 0 | 0 | 0 |
| | - | - | - | - |
| | **0** | **734** | **0** | **1,211** |

## 43. Private Finance Initiatives and Similar Contracts

The Council does not have any Private Finance Initiatives (PFI) schemes or similar contracts.

## 44. Impairment Losses

The council has not recognised any Impairment losses on Property, Plant & Equipment, Investment Assets, Intangible Assets and Assets held for sale.

The council had £5.5m invested with Heritable Bank (£3.5m) and Landsbanki (£2.0m) when these financial institutions went into administration in 2008. In 2009/10 the council recognised £1.2m of impairment on the outstanding balance. A statutory dispensation allowed this to be transferred to the financial instruments adjustment account. In 2010/11 this amount was replaced by impairment of £0.85m which was recognised in the consolidated income and expenditure statement. The charge was funded by a transfer from an earmarked reserve. In 2011/12 the amount of impairment recognised fell to £0.75m which was recognised in the consolidated income and expenditure statement.

The council has shares in Humberside International Airport Ltd. In 2010/11 these shares were recorded on the balance sheet at £1.485m. During 2011/12 the latest accounts for the Airport were published, these accounts show the company has a negative net worth. As such it was decided to impair the value of this investment to zero. As the investment was initially capital spend by Humberside County Council this impairment was subsequently written off to the Capital Adjustment Account through the Gains and Losses on the sale of Assets line of the Consolidated Income and Expenditure Account.

## 45. Capitalisation of borrowing costs

The council has not capitalised any borrowing costs.

## 46. Exit Packages

The table below shows the number and cost of exit packages for the current and the preceding financial year in bands of £20,000.

| Banding | Number of Compulsory Redundancies | | Number of other Departures Agreed | | Total Number of exit packages by cost band | | Total cost of exit packages in each band | |
|---|---|---|---|---|---|---|---|---|
| | 2010/2011 | 2011/2012 | 2010/2011 | 2011/2012 | 2010/2011 | 2011/2012 | 2010/2011 £'000 | 2011/2012 £'000 |
| £1 - £20,000 | 18 | 35 | 21 | 46 | 39 | 81 | 210 | 471 |
| £20,001 - £40,000 | 2 | 3 | 10 | 4 | 12 | 7 | 333 | 177 |
| £40,001 - £60,000 | 1 | 0 | 5 | 1 | 6 | 1 | 294 | 43 |
| £60,001 - £80,000 | 0 | 0 | 0 | 3 | 0 | 3 | 0 | 200 |
| £80,001 - £100,000 | 2 | 0 | 0 | 0 | 2 | 0 | 192 | 0 |
| £100,001 - £150,000 | 1 | 0 | 2 | 0 | 3 | 0 | 339 | 0 |
| £150,001 - £200,000 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 153 |
| £200,001 - £250,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £250,001 - £300,000 | 1 | 0 | 0 | 0 | 1 | 0 | 299 | 0 |
| | **25** | **38** | **38** | **55** | **63** | **93** | **1,667** | **1,044** |

In February 2012 Cabinet approved a report on the restructuring of the Council's senior management team. The restructure would require a reduction in the number of senior management posts. The costs of this reduction was estimated to be £542,000. Annual savings were estimated to be £780,000.

The estimated costs of the management restructure were charged to the 2011/12 financial year so the total costs of exit packages recognised in 2011/12 was £1,586,000.

## 47. Pensions Schemes Accounted for as Defined Contribution Schemes

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

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2011/12, the council paid £6.09m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2010/11 were £6.7m and 14.1%. There were no contributions remaining payable at the year-end.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 48.

## 48. Defined Benefit Pension Schemes

### Retirement Benefits

### Participation in the Local Authority Pension Scheme

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the East Riding Local Government Officers' Pension Fund administered by East Riding of Yorkshire Council. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

### Transactions relating to retirement benefits- CIES Charges:

The Council recognises the cost of retirement benefits in the Cost of Services on Continuing Operations when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge the Council is required to make against council tax is based on the cash payable in the year, and the real cost of retirement benefits is reversed out in the adjustments between accounting basis & funding basis under regulations line, in the Movement on Reserves Statement. The following transactions have been made in the CIES and the adjustments between accounting basis & funding basis under regulations line, in the Movement on Reserves Statement during the year:

| | 2011/12<br>£000 | 2010/11<br>£000 |
|---|---|---|
| **Net cost of services:** | | |
| Current service cost | 14,637 | 17,115 |
| Past service cost/(gain) | 190 | (60,597) |
| Gains and losses on settlements or curtailments | (2,540) | 1,026 |
| **Net operating expenditure:** | | |
| Interest cost | 29,027 | 33,426 |
| Expected return on scheme assets | (24,758) | (24,256) |
| | | |
| **Net charge to the CIES** | **16,556** | **(33,286)** |
| | | |
| **Adjustments between accounting basis & funding basis under regulations:** | | |
| Reversal of net charges made for retirement benefits in accordance with IAS 19 | **(16,556)** | **33,286** |
| **Actual amount charged against the general fund balance for pensions in the year:** | | |
| Employers' contributions payable to scheme | **18,769** | **19,997** |
| | | |
| **Net charge to the General Fund Summary** | **2,213** | **53,283** |

## Assets and liabilities in relation to retirement benefits

## Reconciliation of present value of the scheme liabilities:

| | 2011/12<br>£000 | 2010/11<br>£000 |
|---|---|---|
| **Balance as at 1 April** | 529,472 | 651,407 |
| Current service cost | 14,637 | 17,115 |
| Interest cost | 29,027 | 33,425 |
| Contributions by members | 4,610 | 4,919 |
| Actuarial losses/(gains) | 20,140 | (101,166) |
| Past service costs/(gains) | 190 | (60,597) |
| Losses/(gains) on curtailments | 490 | 1,026 |
| Liabilities assumed in a business combination | | |
| Liabilities extinguished on settlements | (5,137) | 0 |
| Estimated unfunded benefits paid | (1,944) | (1,981) |
| Estimated benefits paid | (16,896) | (14,676) |
| | | |
| **Balance as at 31 March** | **574,589** | **529,472** |

### Reconciliation of present value of the scheme assets:

| | 2011/12<br>£000 | 2010/11<br>£000 |
|---|---|---|
| **Balance as at 1 April** | 352,461 | 328,490 |
| Expected return on assets | 24,758 | 24,256 |
| Contributions by members | 4,610 | 4,919 |
| Contributions by employer | 16,825 | 18,015 |
| Contributions in respect of unfunded benefits | 1,944 | 1,981 |
| Actuarial gains/(losses) | (18,572) | (8,543) |
| Liabilities assumed in a business combination | 0 | 0 |
| Assets distributed on settlements | (2,107) | 0 |
| Unfunded benefits paid | (1,944) | (1,981) |
| Benefits paid | (16,896) | (14,676) |
| | | |
| **Balance as at 31 March** | **361,079** | **352,461** |

The actual return on scheme assets in the year was a gain of £6,271,000 (2010/11 gain of £29,603,000).

### Fair Value of Plan Assets

| - | 31/03/12<br>£000 | 31/03/11<br>£000 | 31/03/10<br>£000 |
|---|---|---|---|
| Equity investments | 285,252 | 274,920 | 266,076 |
| Bonds | 32,497 | 35,246 | 32,849 |
| Property | 21,665 | 17,623 | 13,140 |
| Cash | 21,665 | 24,672 | 16,425 |
| | **361,079** | **352,461** | **328,490** |

The above asset values are at bid value as required by IAS 19.

### The Council's share of the Net Pension Liability (included in the Balance Sheet):

| - | 31/03/12 £000 | 31/03/11 £000 | 31/03/10 £000 |
|---|---|---|---|
| Fair Value of Employer Assets | 361,079 | 352,461 | 328,490 |
| Present value of funded liabilities | (544,200) | (500,436) | (618,724) |
| Net (Under)/Overfunding in Funded Plans | **(183,121)** | **(147,975)** | **(290,234)** |
| Present Value of Unfunded Liabilities | (30,389) | (29,036) | (32,683) |
| Unrecognised Past Service Cost | 0 | 0 | 0 |
| Amounts not recognised as an asset | 0 | 0 | 0 |
| Fair value of reimbursement rights recognised as an asset | 0 | 0 | 0 |
| Other amounts not recognised in the Balance Sheet | 0 | 0 | 0 |
| **Net Asset/(Liability)** | **(213,510)** | **(177,011)** | **(322,917)** |

### Scheme history

### Analysis of scheme assets and liabilities

| | 31/03/12 £000 | 31/03/11 £000 | 31/03/10 £000 | 31/03/09 £ | 31/03/08 £ |
|---|---|---|---|---|---|
| | | | | | |
| Fair Value of Assets in pension scheme | 361,079 | 352,461 | 328,490 | 226,563 | 289,347 |
| Present Value of Defined Benefit Obligation | (574,589) | (529,472) | (651,407) | (387,982) | (395,246) |
| | | | | | |
| Surplus/(deficit) in the Scheme | **(213,510)** | **(177,011)** | **(322,917)** | **(161,419)** | **(105,899)** |

### Amount recognised in Other Comprehensive Income and Expenditure:

| | 31/03/12 £000 | 31/03/11 £000 | 31/03/10 £000 | 31/03/09 £000 | 31/03/08 £000 |
|---|---|---|---|---|---|
| | | | | | |
| Actuarial gains/(losses) | (38,712) | 92,623 | (159,099) | (54,242) | 34,454 |
| Increase/(decrease) in irrecoverable surplus from membership fall and other factors | 0 | 0 | 0 | 0 | 0 |
| Actuarial gains/(losses) recognised in Other Comprehensive Income and Expenditure | (38,712) | 92,623 | (159,099) | (54,242) | 34,454 |
| | | | | | |
| Cumulative actuarial gains and losses | **(142,310)** | **(103,598)** | **(196,221)** | **(37,122)** | **17,120** |
| **History of experience gains and losses:** | | | | | |
| Experience gains and (losses) on assets | (18,572) | (8,543) | 75,395 | (92,535) | (23,916) |
| Experience gains and (losses) on liabilities | (20,140) | 101,166 | (234,494) | 38,293 | 58,370 |

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £213m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net worth of £172m.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the East Riding Pension Fund will be made good by increased contributions over the remaining working life of employees, assessed by the scheme actuary.

## Analysis of projected amount to be charged to the CIES for the year to 31 March 2013

| - | 31/03/13<br>£000 | 31/03/13<br>% |
|---|---|---|
| Projected current cost | 14,510 | 21 |
| Interest on obligation | 27,573 | 39 |
| Expected return on assets | (21,023) | (30) |
| Past service cost | 0 | 0 |
| Gains and losses on settlements or curtailments | 0 | 0 |
| | **21,060** | **30** |

The total contributions expected to be made to the East Riding Pension Fund by the council in the year to 31 March 2013 is £15,767,000.

## History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012.

| | 31/03/12<br>% | 31/03/11<br>% | 31/03/10<br>% | 31/03/09<br>% | 31/03/08<br>% |
|---|---|---|---|---|---|
| | | | | | |
| Experience (gains and (losses) on Assets | -5.1% | -2.4% | 23.0% | -40.8% | -8.3% |
| Experience gains and (losses) on liabilities | 3.5% | -19.1% | 36.0% | -9.9% | -14.8% |

## Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc. The Council's Fund liabilities have been assessed by an independent firm of actuaries, estimates for the Council Fund being based on data pertaining to the latest full valuation of the scheme as at 31 March 2012.

| | 2011/12 | 2010/11 |
|---|---|---|
| **Long-term expected rate of return on assets in the scheme:** | | |
| Equity investments | 6 | 8 |
| Bonds | 4 | 5 |
| Property | 4 | 6 |
| Cash | 4 | 5 |
| **Mortality assumptions:** | | |
| *Longevity at 65 current pensioners:* | | |
| Men | 22.9 years | 22.9 years |
| Women | 25.7 years | 25.7 years |
| *Longevity at 65 for future pensioners:* | | |
| Men | 24.9 years | 24.9 years |
| Women | 27.7 years | 27.7 years |
| Inflation/Pension Increase Rate | .025 | .028 |
| Salary Increase Rate | .048 | .051 |
| Expected Return on Assets | .058 | .070 |
| Discount Rate | .048 | .055 |
| **Take-up of option to convert annual pension into retirement lump sum:** | | |
| Service to April 2009 | 50% | 50% |
| Service post April 2009 | 75% | 75% |

## Major categories of plan assets as percentage of total plan assets

The East Riding Pension Fund's assets consist of the following categories, by proportion of the total assets held:

| - | | 31/03/12<br>% | 31/03/11<br>% | 31/03/10<br>% |
|---|---|---|---|---|
| Equity investments | | 79.0 | 78.0 | 81.0 |
| Bonds | | 9.0 | 10.0 | 10.0 |
| Property | | 6.0 | 5.0 | 4.0 |
| Cash | | 6.0 | 7.0 | 5.0 |
| | | **100.0** | **100.0** | **100.0** |

## 49. Contingent Liabilities

The council has one material uninsured contingent liability relating to its exposure to losses by Municipal Mutual Insurance (MMI). In late March 2012 the United Kingdom Supreme Court placed insurance liability at the time an employee was exposed to asbestos, not when symptoms appeared. The likely result of this ruling is that MMI will no longer be able achieve a solvent run-off. The size of the council's liability cannot currently be estimated.

## 50. Contingent Assets

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, 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 North Lincolnshire Homes' reasonable expenses.

## 51. Nature and Extent of Risks Arising from 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.

### Credit risk

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

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

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £7m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2012 that this was likely to crystallise.

Regarding previous difficulties in the Icelandic banking system, in late 2008 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 100% of the investments with Landsbanki and 85-90% of the investments with Heritable should ultimately be recoverable. Recovery of around 50% of the Heritable investment has already been made.

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 £0.75m (£0.85m prior year) 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.

No interest, except that repaid by Landsbanki and Heritable, relating to these investments has been recognised in the 2011/12 accounts. This is consistent with the treatment in 2010/11 and is due to interest not being material.

Impairment of £1.8m has been charged against this debt.

### Liquidity Risk

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and 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 may be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The authority sets limits on the proportion of its fixed rate borrowing maturing during specified periods. The strategy is shown below:

| Maturity structure of borrowing | Upper Limit | Lower Limit |
|---|---|---|
| Under 12 months | 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% |

### 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement will rise
- investments at fixed rates – the fair value of the assets will fall.

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

The authority's strategy for managing interest rate risk is to predominantly borrow at fixed interest rates.

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

If interest rate had been 1% higher during 2011/12 the council would have earned an additional £354k 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 in Humberside Airport International Limited and £10k in Engage Limited, the Local Education Partnership. The authority is consequently exposed to losses arising from movements in the prices of the shares. Due to the Airport accounts now showing a negative net worth the decision was taken to impair the value of the asset to zero in 2011/12.

## 52. Heritage Assets: Five Year Summary of Transactions

The table below shows the value of Heritage Assets recognised in the balance sheet since 2007/08 although they were previously recognised as Community Assets. No acquisitions, disposals, or impairments took place until 2011/12 and these transactions are shown in Note 13.

| Cost or Valuation | Civic Regalia £000 | Museum Collection £000 | War Memorials £000 | Total Assets £000 |
|---|---|---|---|---|
| 31st March 2008 | 60 | 1,425 | 0 | 1,485 |
| 31st March 2009 | 60 | 1,425 | 0 | 1,485 |
| 31st March 2010 | 60 | 1,425 | 0 | 1,485 |
| 31st March 2011 | 60 | 1,425 | 0 | 1,485 |
| 31st March 2012 | 159 | 880 | 0 | 1,039 |

## 53. Heritage Assets: Further Information

The Authority has three main categories of Heritage Asset, Museum Exhibits, Civic Regalia and War Memorials.

Museum Exhibits

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

Civic Regalia

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

War Memorials

This category comprises the three War Memorials, owned and maintained by North Lincolnshire Council. These are Scunthorpe Museum Memorial, Ashby War Memorial and Barton War Memorial.

## 54. Heritage Assets: Change in Accounting Policy

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Authority. As set out in our summary of significant accounting policies, the Authority now requires heritage assets to be carried in the balance sheet at valuation.

Heritage Assets

For 2011/12 the Authority is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at cost) in the property plant and equipment classification in the Balance Sheet. The Authority's accounting policies for recognition and measurement of heritage assets are set out in the Authority's summary of significant accounting policies (see Note 1) section xiii on page 26).

In applying the new accounting policy, the Authority has identified that the assets that were previously held as community assets within property, plant and equipment at £1.485 million should now be recognised as heritage assets and measured at £1.039m million with a corresponding reduction in the Revaluation Reserve. These assets relate to a the Museum Service's exhibits, Civic Regalia and War Memorials which were previously recognised in the community assets classification of property, plant and equipment. The Authority has not recognised any heritage assets that were not previously recognised in the Balance Sheet.

The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation at £1.485 million. The element that was previously recognised in property, plant and equipment has been reclassified and written down by

£0.446 million. The fully restated 1 April 2010 Balance Sheet is provided on page 20. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

| | |
|---|---|
| Decrease in Property, Plant & Equipment | £1.485m |
| Increase in Heritage Assets | £1.485m |

No other adjustments were required to the 2010/11 accounts to reflect the change in accounting policy.

## 55. Monies held on behalf of others

The Council holds £302k on behalf of other parties. These are usually vulnerable people who are unable to manage their own financial affairs but also includes the Yorkshire and Humber Grid for Learning (Y&HGL) and the Adoption Consortium. The breakdown of these monies is shown below:

| Name | 2011/12 £'000 | 2010/11 £'000 |
|---|---|---|
| Local Safeguarding Children Board | (95) | (105) |
| Minimum Support Homes Renovation | (75) | (83) |
| Adoption Consortium | (54) | 0 |
| CICA Holding Account | (44) | (43) |
| Y&H Grid for Learning | (19) | 0 |
| Receiverships | (10) | (2) |
| Cic Council Project | (5) | (7) |
| | (302) | (240) |

## 56. Prior Period Adjustment

One prior period adjustment has been recognised. This is a movement of £218k from Short Term Investments to Cash and Cash Equivalents. The balance of Short Term Investments was shown incorrectly and this adjustment was therefore required.

See note 54 for more detail on the prior period adjustments required by the change in accounting policy for Heritage Assets.

# Collection Fund

| Collection Fund | Notes | 2011/12 £000 | 2010/11 £000 |
|---|---|---|---|
| **Income** | | | |
| Council Tax Income | **4** | (67,760) | (67,204) |
| **Transfers from General Fund:** | | | |
| Council Tax Benefit | **4** | (12,962) | (13,190) |
| Transitional Relief | **4** | 0 | 0 |
| Discounts for Prompt Payment | | 0 | 0 |
| Income collectable from Business Ratepayers | **5** | (75,409) | (64,744) |
| **Contributions:** | | | |
| Towards Previous year's collection fund deficit | | | |
| Adjustment of previous years' community charge | | | |
| **Total Income** | | **(156,131)** | **(145,138)** |
| | | | |
| **Expenditure** | | | |
| Precepts | **6** | 80,244 | 79,033 |
| **Business Rates:** | | | |
| Payment to National Pool | **5** | 75,159 | 64,493 |
| Cost of Collection | | 250 | 251 |
| | | | |
| **Impairment of Debts/Appeals:** | | | |
| Write-offs of uncollectable amounts | | 105 | 129 |
| Allowance for impairment | | 355 | 218 |
| Council Tax/Community Charge | **4** | 0 | 0 |
| | | | |
| **Contribution:** | | | |
| Towards previous year's estimated Collection Fund surplus | | 1,460 | 1,095 |
| Adjustment of previous years' community charges | | 0 | 0 |
| **Total Expenditure** | | **157,573** | **145,219** |
| | | | |
| **Movement on Fund Balance** | | **1,442** | **81** |

# Notes to the Collection Fund

## 1. Council Tax

The introduction of Council Tax on 1 April 1993 revised the method of accounting for the Council's Collection Fund. The main features of the arrangements may be summarised as follows:

a) Revenue Support Grant and amounts for distribution from the NNDR National Pool are paid directly to all Billing and Precepting Authorities and are disclosed in the Income and Expenditure Account

b) Interest is no longer payable between the General Fund and the Collection Fund on cash-flow deficits/surpluses. All interest is now payable directly to the General Fund, as shown on the Income and Expenditure Account

c) The year-end surplus or deficit on the Collection Fund is distributed between Billing and Precepting Authorities on the basis of estimates, made in January of each year-end balance.

## 2. Council Tax Valuation Bands

| | | | | |
|---|---|---|---|---|
| A | Up to & including | 40,000 | | |
| B | | 40,001 | - | 52,000 |
| C | | 52,001 | - | 68,000 |
| D | | 68,001 | - | 88,000 |
| E | | 88,001 | - | 120,000 |
| F | | 120,001 | - | 160,000 |
| G | | 160,001 | - | 320,000 |
| H | More Than | | | 320,001 |

## 3. Council Tax Income

The amount of Council Tax payable is calculated by establishing a 'Council Tax Base'. This is the Council's estimated number of chargeable dwellings expressed in relation to those dwellings in Band D. Once this has been determined, the Council Tax payable for each band is established as follows:

(The actual amount payable for each property is also subject to discounts where applicable.)

| Band | Calculated number of dwellings | Ratio to Band D | | Equated number of dwellings | Council Tax Payable |
|---|---|---|---|---|---|
| A | 29,709 | 6/9 | | 19,806 | 1,037 |
| B | 12,886 | 7/9 | | 10,023 | 1,210 |
| C | 9,744 | 8/9 | | 8,661 | 1,383 |
| D | 6,591 | 9/9 | | 6,591 | 1,555 |
| E | 3,201 | 11/9 | | 3,913 | 1,901 |
| F | 1,271 | 13/9 | | 1,836 | 2,247 |
| G | 417 | 15/9 | | 695 | 2,592 |
| H | 10 | 18/9 | | 19 | 3,111 |
| | | | | **51,544** | |
| | | * | Adjustment | 47 | |
| | | | Council Tax Base | **51,591** | |

## 4. Council Tax Required

The amount of Council Tax required for Band D was calculated on the following basis:

| | |
|---|---|
| (i) Preceptor's Council Tax Requirements | 80,244,216 |
| (ii) Number of Band D equivalent Dwellings | 51,591 |
| Band D ( i divided by ii ) | 1,555 |

The Council Tax required then forms part of the Income and Expenditure Account as detailed in the following table:

| | **2011/12** £000 | **2010/11** £000 |
|---|---|---|
| Net Amount | (67,760) | (67,204) |
| Benefits | (12,962) | (13,190) |
| Pensioners Discount Contribution | 0 | 0 |
| Use of Provision for Doubtful Debts | 460 | 347 |
| Community Charge Surplus | 0 | 0 |
| Council Tax Surplus | 1,460 | 1,095 |
| Adj. Re previous years Community Charge | 0 | 0 |
| Balance carried forward | (1,442) | (81) |
| Council Tax Requirement | **(80,244)** | **(79,033)** |

## 5. National Non-Domestic Rates

Non-Domestic Rates are organised on a national basis. The Government specifies an amount and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. In 2011/12 the amount was 43.3p (41.4p = 2010/11) and 42.6p for small businesses (40.7p = 2010/11).

The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NNDR Pool administered by the Government.

The Government redistributes the sums paid into the Pool back to local authorities on the basis of a fixed amount per head of population. This is shown in the Income and Expenditure Account

The total rateable value @ 31 March 2012 was £211.10m (31 March 2011 = £162.23m).

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:

| 2010/11 £000 | National Non-Domestic Rates (NDR / NNDR) | 2011/12 £000 |
|---|---|---|
| 75,236 | Gross Amount Due | 88,838 |
| (3,834) | Charity, etc, Relief | (5,782) |
| (4,766) | Transitional Relief | (5,358) |
| (3,925) | Empty and Part Occupation Relief | (2,548) |
| 2,269 | Bad Debts, provision and write offs | 300 |
| (235) | Interest on Overpayments | (41) |
| **64,744** | **Net Amount Collectable** | **75,409** |
| (251) | Cost of Collection Allowance Payable to General Fund | (251) |
| **64,493** | **Amount Payable to NNDR Pool** | **75,159** |

## 6. Precepts and Demands

The following amounts were paid from the fund:-

| | 2011/12 £000 | 2010/11 £000 |
|---|---|---|
| North Lincolnshire Council | 67,636 | 66,613 |
| Humberside Police Authority | 8,588 | 8,460 |
| Humberside Fire Authority | 4,020 | 3,960 |
| Total | **80,244** | **79,033** |

# 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 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.

**Code of Practice (COP)**

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

**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.

**Curtailments (Pension)**

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

**De minimis**

An immaterial amount or balance.

**Debtors**

Amounts owed to the 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).

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

Revenue Expenditure Financed From Capital Under Statute is expenditure that may properly be capitalised, and results in an asset that is not owned by the Council. For example 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.

**International Financial Reporting Standards (IFRSs)**

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

**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.

**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.

**Gross Book Value**

Original (historical) price paid for an asset, without any depreciation deduction.

**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.

**Comprehensive Income and Expenditure Statement (CI&ES)**

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)**

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

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

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.

**Property, Plant & Equipment**

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

**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)**

A 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.

**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.

**Useful Life**

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