Report of the Director of Policy & Resources

Agenda Item No: 8
Meeting: 24 September 2013

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

AUDIT OF ACCOUNTS 2012/13
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 26 June 2013. This met the statutory requirement that they be approved by 30 June 2013.

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

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 2013.

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. There is therefore no impact on the Medium Term Financial Plan.

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 During the interim Audit work KPMG undertook a review of the proposed significant accounting transactions for Property, Plant and Equipment. The findings were reported to this Committee at the April meeting.

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 council's Auditors KPMG is attached. It sets out the matters arising from the audit of the council's 2012/13 accounts. I am in agreement with its findings. Staff from KPMG 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.
- following the completion of the Audit no material errors were found in the accounting for Property, Plant and Equipment. This has resulted in significantly fewer amendments.
- some adjustments are recommended to the accounts, of which the majority are minor.

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

- there were no changes to the main statements
- the accounting treatment of a £3.35m capital receipt was incorrect. The receipt had been accrued and utilised to finance capital spend in year but its use should have been deferred until actual receipt.
- note 29 to the accounts required amendment due to a number of errors.
- note 42 on Leases did not include the required disclosure on the future value of receipts from property leases where the council was the lessor.
- a number of minor disclosure note changes were identified and corrected.

2.8 Changes will be made to the Council's closure of accounts process for 2013/14 to ensure these errors are not repeated.

2.9 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.

2.10 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.

3. OPTIONS FOR CONSIDERATION

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

3.2 That the Committee considers the Auditor's ISA 260 report and note its findings.

3.3 The Audit Committee are also invited to 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 2013. 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 2012/13, prepared on a going-concern basis and as amended in line with the Auditor's findings be received and approved.

8.2 The Audit Committee notes the contents of the ISA260 Report.

8.3 The Audit Committee endorse the signing of the Letter of Representation by the Chairman 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: 30/08/13

Background Papers used in the preparation of this report – n/a

KPMG

cutting through complexity™

Report to those charged with governance (ISA 260) 2012/13

North Lincolnshire Council

24 September 2013

Contents

The contacts at KPMG in connection with this report are:

Damian Murray
Director
KPMG LLP (UK)

Tel: 0113 231 3510
Damian.Murray@kpmg.co.uk

Linda Wild
Manager
KPMG LLP (UK)

Tel: 0113 231 3512
Linda.Wild@kpmg.co.uk

Matthew Moore
Assistant Manager
KPMG LLP (UK)

Tel: 0113 231 3663
Matthew.Moore@kpmg.co.uk

This report is addressed to the Council and has been prepared for the sole use of the Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Damian Murray, the appointed engagement lead to the Council, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 03034448330.

Introduction

This report summarises:

- **the key issues identified during our audit of North Lincolnshire Council's (the Council's) financial statements for the year ended 31 March 2013; and**
- **our assessment of the Council's arrangements to secure value for money (VFM) in its use of resources.**

We do not repeat matters we have previously communicated to you. In particular, we draw your attention to our *Interim Audit Report 2012/13*, presented to you on 25 June 2013, which summarised our planning and interim audit work.

Financial statements

Our audit of the financial statements can be split into four phases:

Planning → Control Evaluation → Substantive Procedures → Completion

We previously reported on our work on the first two stages in our *Interim Audit Report 2012/13* issued in June.

This report focuses on the final two stages: substantive procedures and completion.

Our final accounts visit on site took place between July and August. During this period, we carried out the following work:

Substantive Procedures

- Planning and performing substantive audit procedures.
- Concluding on critical accounting matters.
- Identifying audit adjustments.
- Reviewing the Annual Governance Statement.

We are now in the final phase of the audit. Some aspects are also discharged through this report:

Completion

- Declaring our independence and objectivity.
- Obtaining management representations.
- Reporting matters of governance interest.
- Forming our audit opinion.

VFM conclusion

We have also now completed our work in respect of the 2012/13 VFM conclusion. This included:

- revisiting the risk assessment carried out earlier in the year; and
- considering any issues relevant to our VFM conclusion as part of our financial statements audit.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out the key findings from our audit work in relation to the 2012/13 financial statements.
- Section 4 outlines the key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1. We have also reviewed your progress in implementing prior year recommendations and this is detailed in Appendix 2.

Acknowledgements

We would like to take this opportunity to thank Officers and Members for their continuing help and co-operation throughout our audit work.

Headlines

This table summarises the headline messages. The remainder of this report provides further details on each area.

Proposed audit opinion	We anticipate issuing an unqualified audit opinion by 30 September 2013. We will also report that the wording of your Annual Governance Statement accords with our understanding.
Audit adjustments	Our audit has identified no audit adjustments that impact of the following: ▪ general fund account as at 31 March 2013; ▪ surplus/ deficit on provision of services for the year; and ▪ net worth of the Council as at 31 March 2013. However, our audit did identify a number of presentational amendments to the notes to the accounts. Changes have been made to the notes where required.
Critical accounting matters	We have worked with Officers throughout the year to identify and discuss any potential issues arising. We noted in our *Interim Audit Report 2012/13* that the Council had addressed the previous year's issues relating to Property Plant and Equipment appropriately and we have not identified any issues from our review of the draft financial statements.
Accounts production and audit process	Whilst we have noted an improvement in the financial reporting processes relating to Property Plant & Equipment, there is scope to further improve accounting practices and working papers in general by directorates taking ownership of the information provided to Corporate Finance for incorporating into the draft financial statements. A recommendation has been made at Appendix 1 in this respect. The Council has implemented all of the recommendations in the Audit Commission's *ISA 260 Report 2011/12* relating to the financial statements.

Headlines (continued)

This table summarises the headline messages. The remainder of this report provides further details on each area.

Completion	At the date of this report our audit of the financial statements is substantially complete subject to completion of the following areas: ■ Pensions disclosures – review of the use of experts; ■ Completion of testing of short term debtors; ■ Litigation and claims; and ■ Receiving and reviewing the bank’s independent confirmation of bank balances. Before we can issue our opinion we require a signed management representation letter. We confirm that we have complied with requirements on objectivity and independence in relation to this year’s audit of the Council’s financial statements.
VFM conclusion	We have concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2013.
VFM risk areas	We did not identify any specific VFM risks in our *Interim Audit Report 2012/13*.

Proposed opinion and audit differences

We have identified no issues in the course of the audit that are considered to be material to the core financial statements.

The wording of your Annual Governance Statement accords with our understanding.

Proposed audit opinion

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion by 30 September 2013.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

We did not identify any material misstatements to the core financial statements. However, we did identify a number of presentational issues in the notes to the financial statements and these have been adjusted by management . None of the adjustments had any effect on the core financial statements, the main changes were as follows:

- Note 29 (Amounts Reported for Resource Allocation) – a number of material errors were identified, in particular in the subjective analysis, due to the incorrect formulas being used in the calculations;
- Note 7 (Adjustments Between Accounting Bases and Funding Basis Under Regulations), 24 (Reserves) and 25 (Usable and Unusable Reserves) – the accounting for North Lincolnshire Homes' VAT shelter capital receipt (£3m) was incorrectly accrued in the draft accounts. To correct this error, and make it in line with the *Code of Practice on Local Authority Accounting the United Kingdom 2012/13 ('the Code'),* a number of amendments were required to notes 7, 24 and 25; and
- Note 42 (Leases) – the draft financial statements did not include the required disclosure on the future value of receipts from property leases where the council was the lessor.

In addition, we identified a number of other minor presentational adjustments required to ensure that the accounts are compliant with the Code. We understand that the Council will be addressing these where significant.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Critical accounting matters

We have worked with Officers throughout the year to discuss risk areas.

The Council addressed the issues relating to PPE, as initially reported in our Interim Audit Report, appropriately.

In our *External Audit Plan 2012/13*, presented to you in January 2013, we identified no key risks affecting the Council's 2012/13 financial statements.

In response to a recommendation in the Audit Commission's ISA260 report 2011/12, we considered the Council's arrangements for producing the values that are included in the value for Property, Plant and Equipment (PPE). We reported our findings on this in our *Interim Audit Report 2012/13*, highlighting that the Council had implemented a number of arrangements to help ensure that the information included in PPE in its financial statements is presented correctly.

We have now completed our testing of PPE in the financial statements and are pleased to report there are no issues arising.

Accounts production and audit process

The Council has improved its arrangements for preparing the Property, Plant & Equipment entries in the financial statements. However, there is scope to further improve accounting practices in general.

The quality of working papers provided was variable but, overall, were satisfactory.

The Council has implemented all of the recommendations in the Audit Commission's *ISA 260 Report 2011/12* relating to the financial statements.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Council's accounting practices and financial reporting. We also assessed the Council's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Completeness of draft accounts	We received a complete set of draft accounts on 27 June 2013.
Accounting practices and financial reporting	The Council has strengthened its financial reporting processes, in particular those relating to PPE, through Corporate Finance taking a leading role in the maintenance of the valuation adjustments in Tech-Forge. However, during our audit of the draft financial statements we identified some further areas for improvement around items where a specific accounting judgement had been made. In some instances working papers had to be prepared retrospectively by the Corporate Finance team at the time of the audit rather than being prepared in advance during the preparation of the draft financial statements. Where a specific accounting judgement has been made: ▪ Directorates should take ownership of the information provided to Corporate Finance for incorporating into the draft financial statements. This should include the preparation of complete working papers to support entries in the accounts and the considerations made to support accounting judgements; ▪ Corporate Finance should take a more strategic role, as project manager for the preparation and review of the draft financial statements, objectively reviewing any accounting judgement that has been made. This would facilitate a smoother audit process and would reduce the risk of errors being identified.
Quality of supporting working papers	Our *Accounts Audit Protocol*, which we issued in March 2013 and discussed with the Corporate Finance Manager, set out our working paper requirements for the audit. The quality of working papers provided was variable but, overall, met the required standards. As stated above, there is scope to improve the working papers further by Corporate Finance taking more of a project management role, objectively reviewing the working papers submitted by the directorates to ensure they are accurate and that accounting judgements are in accordance with the Code.
Response to audit queries	Officers resolved the majority of audit queries in a reasonable time. In some cases, however, we experienced delays, specifically where staff in Corporate Finance were required to revisit accounting judgements that were not initially supported by working papers from the directorates.

As a result of the above we have raised a recommendation in respect of the Council's accounting practices and preparation of working papers, this is included at Appendix 1.

Accounts production and audit process (continued)

The Council has improved its arrangements for preparing the Property, Plant & Equipment entries in the financial statements. However, there is scope to further improve accounting practices in general.

The quality of working papers provided was variable but, overall, were satisfactory.

The Council has implemented all of the recommendations in the Audit Commission's *ISA 260 Report 2011/12* relating to the financial statements.

Prior year recommendations

In our *Interim Audit Report 2012/13* we commented on the Council's progress in addressing the recommendations in the Audit Commission's *ISA 260 Report 2011/12.*

The Council has now implemented all of the recommendations in the Audit Commission's *ISA 260 Report 2011/12* relating to the financial statements.

Appendix 2 provides further details.

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Council's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of North Lincolnshire Council for the year ending 31 March 2013, we confirm that there were no relationships between KPMG LLP and North Lincolnshire Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 3 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Responsible Finance Officer, a draft of which is included in Appendix 4. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc.).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Council's 2012/13 financial statements.

VFM conclusion

Our VFM conclusion considers how the Council secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Council has proper arrangements in place for:

- securing financial resilience: looking at the Council's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Council is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Council to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.

Work completed

We have also now completed our work in respect of the 2012/13 VFM conclusion. This included:

- revisiting the risk assessment carried out earlier in the year; and
- considering any issues relevant to our VFM conclusion as part of our financial statements audit.

Conclusion

We have concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓

We reported our risk assessment in our *Interim Audit Report 2012/13.* As we were satisfied that in all cases, sufficient work in relation to these risks had been carried out by the Council, the Audit Commission, other inspectorates or review agencies to mitigate the residual audit risks for our VFM conclusion, we concluded that we did not need to carry out any specific additional work ourselves.

Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Council should closely monitor progress in addressing specific risks and implementing recommendations.

We will formally follow up the recommendations during the course of next year.

Priority rating for recommendations		
❶ ***Priority one***: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	❷ ***Priority two***: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	❸ ***Priority three***: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	❷	Directorates should take ownership of the completeness of working papers and accuracy of information to support the entries in the financial statements, particularly those where a specific accounting judgement has been made. Corporate Finance should form the project management role regarding the preparation of the draft financial statements, carrying out an objective review to ensure they are accurate and in accordance with the Code, thus enabling a smoother audit process and reducing the risk of errors in the draft financial statements.	The accounting treatment of significant transactions will be considered first by the relevant Finance Manager who will prepare a working paper. The working paper will be reviewed by the Corporate Finance Manager.

Appendix 2: Follow up of prior year recommendations

The Council has implemented all of the recommendations in the Audit Commission's *ISA 260 Report 2011/12.*

This appendix summarises the progress made to implement the recommendation identified in The Audit Commission's *ISA 260 Report 2011/12* and confirms there are no recommendations still outstanding.

Number of recommendations that were:	
Included in original report	1
Implemented in year or superseded	1
Remain outstanding (re-iterated below)	0

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at 24 September 2013
1	❶	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.	Corporate Finance Manager, December 2012.	Complete

Appendix 3: Declaration of independence and objectivity

The *Code of Audit Practice* requires us to exercise our professional judgement and act independently of both the Commission and the Council.

Requirements

Auditors appointed by the Audit Commission must comply with the *Code of Audit Practice* (the Code) which states that:

"Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission's Standing guidance for local government auditors (Audit Commission Guidance) and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* (Ethical Standards).

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK &I) 260 Communication of *Audit Matters with Those Charged with Governance*' that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our Annual Audit Letter.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Audit Partner and the audit team.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Appendix 3: Declaration of independence and objectivity (continued)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Council's financial statements.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the Ethics and Independence Manual ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual Ethics and Independence Confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of North Lincolnshire Council for the financial year ending 31 March 2013, we confirm that there was one relationship between KPMG LLP and North Lincolnshire Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff.

An Assistant Manager, Sherie Newboult, is a former employee of the Council having worked in the Education Department. We have safeguarded this threat of objectivity and independence by ensuring there has been close manager supervision of any work involving Education or that of former colleagues.

We confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

Appendix 4: Draft management representation letter

We ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.

The wording for these representations is prescribed by auditing standards.

We require a signed copy of your management representations before we issue our audit opinion.

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of North Lincolnshire Council ("the Council"), for the year ended 31 March 2013, for the purpose of expressing an opinion as to whether these:

i. give a true and fair view of the financial position of North Lincolnshire Council as at 31 March 2013 and of its expenditure and income for the year then ended; and

ii. have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

These financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the Collection Fund and the related notes.

The Council confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Council confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Council has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:
   - give a true and fair view of the financial position of the Council as at 31 March 2013 and of the Council's expenditure and income for the year then ended; and
   - have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

   The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Council in making accounting estimates, including those measured at fair value, are reasonable.

3. All events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 require adjustment or disclosure have been adjusted or disclosed.

Information provided

4. The Council has provided you with:
   - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
   - additional information that you have requested from the Council for the purpose of the audit; and
   - unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

5. All transactions have been recorded in the accounting records and are reflected in the financial statements.

6. The Council acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Council acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

   The Council has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Appendix 4: Draft management representation letter (continued)

We ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.

The wording for these representations is prescribed by auditing standards.

We require a signed copy of your management representations before we issue our audit opinion.

7. The Council has disclosed to you all information in relation to:

   a) Fraud or suspected fraud that it is aware of and that affects the Council and involves:
      - management;
      - employees who have significant roles in internal control; or
      - others where the fraud could have a material effect on the financial statements; and

   b) allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

8. The Council has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

9. The Council has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

10. The Council has disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which it is aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

    Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as the Council understands them and as defined in IAS 24, except where interpretations or adaptations to fit the public sector are detailed in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

11. On the basis of the process established by the Council and having made appropriate enquiries, the Council is satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business.

    The Council further confirms that:

    a) all significant retirement benefits, including any arrangements that:
       - are statutory, contractual or implicit in the employer's actions;
       - arise in the UK and the Republic of Ireland or overseas;
       - are funded or unfunded; and
       - are approved or unapproved,

    have been identified and properly accounted for; and

    a) all settlements and curtailments have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit Committee on 24 September 2013.

Yours faithfully,

Chair of the Audit Committee and Director of Policy and Resources.

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Accounts production and audit process (continued)

The Council has improved its arrangements for preparing the Property, Plant & Equipment entries in the financial statements. However, there is scope to further improve accounting practices in general.

The quality of working papers provided was variable but, overall, were satisfactory.

The Council has implemented all of the recommendations in the Audit Commission's *ISA 260 Report 2011/12* relating to the financial statements.

Prior year recommendations

In our *Interim Audit Report 2012/13* we commented on the Council's progress in addressing the recommendations in the Audit Commission's *ISA 260 Report 2011/12.*

The Council has now implemented all of the recommendations in the Audit Commission's *ISA 260 Report 2011/12* relating to the financial statements.

Appendix 2 provides further details.

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Council's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of North Lincolnshire Council for the year ending 31 March 2013, we confirm that there were no relationships between KPMG LLP and North Lincolnshire Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 3 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Responsible Finance Officer, a draft of which is included in Appendix 4. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc.).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Council's 2012/13 financial statements.

VFM conclusion

Our VFM conclusion considers how the Council secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Council has proper arrangements in place for:

- securing financial resilience: looking at the Council's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Council is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Council to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.

Work completed

We have also now completed our work in respect of the 2012/13 VFM conclusion. This included:

- revisiting the risk assessment carried out earlier in the year; and
- considering any issues relevant to our VFM conclusion as part of our financial statements audit.

Conclusion

We have concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓

We reported our risk assessment in our *Interim Audit Report 2012/13.* As we were satisfied that in all cases, sufficient work in relation to these risks had been carried out by the Council, the Audit Commission, other inspectorates or review agencies to mitigate the residual audit risks for our VFM conclusion, we concluded that we did not need to carry out any specific additional work ourselves.

Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Council should closely monitor progress in addressing specific risks and implementing recommendations.

We will formally follow up the recommendations during the course of next year.

Priority rating for recommendations		
❶ ***Priority one***: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	❷ ***Priority two***: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	❸ ***Priority three***: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	❷	Directorates should take ownership of the completeness of working papers and accuracy of information to support the entries in the financial statements, particularly those where a specific accounting judgement has been made. Corporate Finance should form the project management role regarding the preparation of the draft financial statements, carrying out an objective review to ensure they are accurate and in accordance with the Code, thus enabling a smoother audit process and reducing the risk of errors in the draft financial statements.	The accounting treatment of significant transactions will be considered first by the relevant Finance Manager who will prepare a working paper. The working paper will be reviewed by the Corporate Finance Manager.

Appendix 2: Follow up of prior year recommendations

The Council has implemented all of the recommendations in the Audit Commission's *ISA 260 Report 2011/12.*

This appendix summarises the progress made to implement the recommendation identified in The Audit Commission's *ISA 260 Report 2011/12* and confirms there are no recommendations still outstanding.

Number of recommendations that were:	
Included in original report	1
Implemented in year or superseded	1
Remain outstanding (re-iterated below)	0

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at 24 September 2013
1	❶	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.	Corporate Finance Manager, December 2012.	Complete

Appendix 3: Declaration of independence and objectivity

The *Code of Audit Practice* requires us to exercise our professional judgement and act independently of both the Commission and the Council.

Requirements

Auditors appointed by the Audit Commission must comply with the *Code of Audit Practice* (the Code) which states that:

"Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission's Standing guidance for local government auditors (Audit Commission Guidance) and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* (Ethical Standards).

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK &I) 260 Communication of *Audit Matters with Those Charged with Governance*' that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our Annual Audit Letter.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Audit Partner and the audit team.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Appendix 3: Declaration of independence and objectivity (continued)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Council's financial statements.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the Ethics and Independence Manual ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual Ethics and Independence Confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of North Lincolnshire Council for the financial year ending 31 March 2013, we confirm that there was one relationship between KPMG LLP and North Lincolnshire Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff.

An Assistant Manager, Sherie Newboult, is a former employee of the Council having worked in the Education Department. We have safeguarded this threat of objectivity and independence by ensuring there has been close manager supervision of any work involving Education or that of former colleagues.

We confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

Appendix 4: Draft management representation letter

We ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.

The wording for these representations is prescribed by auditing standards.

We require a signed copy of your management representations before we issue our audit opinion.

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of North Lincolnshire Council ("the Council"), for the year ended 31 March 2013, for the purpose of expressing an opinion as to whether these:

i. give a true and fair view of the financial position of North Lincolnshire Council as at 31 March 2013 and of its expenditure and income for the year then ended; and

ii. have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

These financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the Collection Fund and the related notes.

The Council confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Council confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Council has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:
   - give a true and fair view of the financial position of the Council as at 31 March 2013 and of the Council's expenditure and income for the year then ended; and
   - have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

   The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Council in making accounting estimates, including those measured at fair value, are reasonable.

3. All events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 require adjustment or disclosure have been adjusted or disclosed.

Information provided

4. The Council has provided you with:
   - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
   - additional information that you have requested from the Council for the purpose of the audit; and
   - unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

5. All transactions have been recorded in the accounting records and are reflected in the financial statements.

6. The Council acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Council acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

   The Council has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Appendix 4: Draft management representation letter (continued)

We ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.

The wording for these representations is prescribed by auditing standards.

We require a signed copy of your management representations before we issue our audit opinion.

7. The Council has disclosed to you all information in relation to:

   a) Fraud or suspected fraud that it is aware of and that affects the Council and involves:
      - management;
      - employees who have significant roles in internal control; or
      - others where the fraud could have a material effect on the financial statements; and

   b) allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

8. The Council has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

9. The Council has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

10. The Council has disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which it is aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

    Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as the Council understands them and as defined in IAS 24, except where interpretations or adaptations to fit the public sector are detailed in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

11. On the basis of the process established by the Council and having made appropriate enquiries, the Council is satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business.

    The Council further confirms that:

    a) all significant retirement benefits, including any arrangements that:
       - are statutory, contractual or implicit in the employer's actions;
       - arise in the UK and the Republic of Ireland or overseas;
       - are funded or unfunded; and
       - are approved or unapproved,

    have been identified and properly accounted for; and

    a) all settlements and curtailments have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit Committee on 24 September 2013.

Yours faithfully,

Chair of the Audit Committee and Director of Policy and Resources.

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North Lincolnshire Council Statement of Accounts

Financial Year 2012/13

Contents

Foreword

These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code). It is the purpose of this foreword to explain, in an easily understandable way, the financial facts in relation to the Council.

This Statement of Accounts explains North Lincolnshire Council's finances during the financial year 2012/13 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 shows the movement in the year on the different reserves held by the Council, 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 Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (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 Council.

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 £0.26m 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 Fund Balance	Schools Balances	Total General Fund Balance
	£000	£000	£000
Opening balance	6,858	2,901	9,759
Movement	0	263	263
Closing balance	6,858	3,164	10,022

In addition a net £0.89m of Earmarked Reserves have been used in year.

Comprehensive Income and Expenditure Statement (CIES)

This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards, 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 £73.7m 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 shows the value as at the Balance Sheet date of the Council's assets and liabilities. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, 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 Council 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 £73.7m. Most of this decrease comes from an increase in the council's liability to the Pension scheme of £40.7m and a reduction in the value of the council's property, plant and equipment of £48.4m. Of this most of the reduction In value relates to Schools transferring to Academies.

The Cash Flow Statement

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

The Collection Fund

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

Group Accounts

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

Amounts Reported for Resource Allocation Decisions (Note 29)

This note shows the same data as the Comprehensive 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 2012/13

This part of the foreword compares actual spending in the financial year 2012/13 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.

Revenue

The Council's financial performance in 2012/13 has to be seen against significant reductions in Central Government funding and no increases in Council Tax. The council's net expenditure was £117.9m. This was £1.8m or 1.5% below the budgeted level, after carry forward of earmarked sums. The main issues with each directorate were as follows:-

- The People directorate spent more on specialist children's services but this was offset by savings made in commissioning, mainly on school transport.
- The Places directorate spent less than its budget mainly due to delays caused by bad weather in pothole repairs, it also achieved extra income in a number of areas.
- The Policy and Resources directorate made savings in the taxation and benefits service with the implementation of a shared service with North East Lincolnshire and reduced external audit costs.
- Within the Corporate Budgets savings were made when the council's Insurance policies were retendered.

In addition to the main directorates there are other areas of spend which are part of the council's revenue spending. The main additional areas of spending and their financial performance in 2012/13 are as follows:-

- The Property Trading Account, which made a small surplus
- Spending on schools is fully funded from a Central Government Grant known as Dedicated Schools Grant (DSG). Schools plan to carry forward £3.2m to 2013/14.
- Savings on the financing costs of the capital programme through lower lease costs and extra interest receipts
- An unused balance of £0.2m on the contingency fund.

The lower part of the table also shows the use made of reserves, grants and council tax to fund this expenditure. This includes extra grant from government of £0.3m.

	Budget £000's	Actual £000's	Variance £000's	%
People Services	62,684	62,581	(103)	-0.3%
Places	39,556	38,952	(604)	-1.8%
Policy & Resources	12,966	12,500	(466)	-3.6%
Corporate Budgets And Levies	4,467	3,881	(586)	-9.5%
Net Directorate Expenditure	**119,673**	**117,914**	**(1,759)**	**-1.5%**
Property Trading Account	(1,343)	(1,358)	(15)	1.1%
Capital Financing	13,845	13,546	(299)	-2.2%
Contingency Reserve	641	436	(205)	- 32.0%
Total Other items	**13,143**	**12,624**	**(519)**	**-3.9%**
Total Non-Schools Expenditure	**132,816**	**130,538**	**(2,278)**	**-1.7%**
Schools				
Schools Block –ISB	72,710	69,545	(3,165)	-4.4%
Schools - Central & Early Years	14,699	15,182	483	3.3%
Dedicated Schools Grant & Other Grants	(87,409)	(87,409)	0	0.0%
Total Schools	0	(2,682)	(2,682)	0.0%
Total Cost	**132,816**	**127,856**	**(4,960)**	**-3.7%**
Use of Reserves				
Total Non-Schools Reserves	(3,857)	(1,265)	2,592	
Total School Reserves	0	2,682	2,682	
Total Use of Reserves	**(3,857)**	**1,417**	**5,274**	
Total	**128,959**	**129,273**	**314**	
Formula Grant	(59,593)	(59,904)	(311)	
New Homes Bonus	(640)	(640)	0	
Collection Fund Surplus	(306)	(306)	0	
Council Tax Freeze Grant	(1,670)	(1,673)	(3)	
Council Tax	(66,750)	(66,750)	0	
Total Financing	**(128,959)**	**(129,273)**	**(314)**	
Balance at Year end	0	0	0	

Capital

The programme of investment in council assets in recent years has been 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. Spending in 2012/13 was £29m, £7.8m less than budgeted. The table below provides the details by directorate:

Capital Programme 2012-13	Budget 2012/13 £000's	Actual 2012/13 £000's	Difference 2012/13 £000's	%	Rephasing £000's
Planned programme					
People Services	14,142	13,425	(717)	-5%	776
Policy & Resources	495	424	(70)	-14%	72
Places	22,251	15,215	(7,036)	-32%	4,971
Total	36,888	29,064	(7,824)	-21%	5,819
Funding Analysis					
Grant Funding	21,735	19,769	(1,966)	-9%	2,259
External Funding	14	321	307	2193%	0
Property Trading Account	327	566	239	73%	25
Capital Receipts	2,000	4,711	2,716	136%	0
Internal Borrowing	12,329	3,602	(8,731)	-71%	3,535
Revenue Funding	483	94	(389)	-81%	0
Total	36,888	29,064	(7,824)	-21%	5,819

The largest items of capital spend in 2012/13 were:

- Building Schools for the Future £6.7m
- Roads and Street Lighting £4.3m
- St Peter & St Paul Primary School £2.3m
- Willoughby Rd Amalgamation £1.1m
- Disabled Facilities Grant £1.0m

The main variances are on support schemes, vehicles and major construction projects, with underspends on:

- Regional Growth Fund £2.09m
- Renewable Heating £0.6m
- Disabled Facilities grants £0.43m
- Home Assistance £0.33m
- Local Transport Plan £0.35m
- Fleet Replacement Programme £0.32m
- Building Schools for the future £0.36m

Requests for programme rephasing into 2013-14 of £6.25m have been received from directorates and proposals to bring forward £0.43m from 2013-14 to cover advance spending.

In keeping with established practice for the financing of the 2012-13 capital programme resources have been deployed in the following order:

- Government grants for individual schemes and programmes
- External Funding
- Capital receipts from the sale of council assets
- Approved funding of capital from revenue
- Internal borrowing

The application of capital receipts and the use of internal cash balances to finance capital investment, in line with the council's treasury management strategy, have ensured no need for external borrowing for a further year.

Performance 2012-13

Of the council's key performance measures 65% improved year-on-year and 85% of these measures were on target or were within tolerance. In the context of real term reductions of £3.6m in the budget compared to 2011/12 this is a very positive outcome.

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 4%) and rate of return on our investment (between 0.4% and 0.7%). It makes temporary use of cash balances which would otherwise be exposed to potential loss in volatile financial markets. By the end of 2012/13 £44.2m of borrowing has been deferred. 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 2012/13 was £109.2m.

Pensions

This year the liability has increased by £40.7m. 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 decreased by £49.6m this year. This is mainly due to a number of schools having transferred to Academies in year and the council are therefore no longer responsible for their assets and they no longer appear on the council's balance sheet. There were £25.4m of additions including expenditure on the Building Schools for the future (BSF), The Pods, The Baths Hall, roads and vehicles.

Humber Bridge

In March 2012 the Government agreed to write down £150m of the Humber Bridge debt to enable car tolls to be reduced from £3 to £1.50 and thereby boost the local economy. This agreement was conditional on a radical reform of the Bridge Board and that the four Humber area authorities took responsibility for any operating deficit that the Bridge Board may incur after fully utilising all of its reserves. Any deficit would be shared equally between all authorities. The Bridge Boards current financial plan for the period 2013/14 to 2037/38 gives no cause for concern that any call will be made on the authorities in the foreseeable future. The Council will continue to monitor the financial plans and outturn of the Bridge Board.

Carry Forwards

On the 25th June 2013 Cabinet Team approved the carry forward of £1.73m of underspends from 2012/13 to 2013/14.

Future Prospects

Revenue Budget 2013-17

The approved net revenue budget for 2013-14 is £144.9m. The sound financial position of the council at the end of the 2013-14 financial year mean that the approved budget remains deliverable.

Integral to achievement of the approved budget are 73 savings proposals totalling £4.94m. These proposals are currently reviewed monthly as part of the standard monitoring process and about half of these savings have already been achieved.

Looking further forward current estimates are that government general revenue funding will decrease significantly over the next four financial years. Funding falls from £72.5m in 13-14 to £59.3m in 16-17. Current assumptions are that some other income will increase during the plan period partially mitigating the loss of general funding but net spending still decreases from £147m in 2013-14 to £141m in 2016-17. The effects of the Comprehensive Spending Review and further technical changes have reduced this further.

	2013-14 £000's	2014-15 £000's	2015-16 £000's	2016-17 £000's
People services	65,877	63,289	62,148	61,350
Places	40,051	37,181	35,437	34,956
Policy & Resources	12,199	11,547	10,539	9,751
Central Budgets	29,051	31,123	33,357	34,890
Total Net Budget	**147,178**	**143,140**	**141,481**	**140,947**
Estimated Funding				
Revenue Support Grant	43,558	35,848	31,633	27,592
Base Line Funding Level (NNDR)	28,978	29,867	30,763	31,685
Start-Up Funding Assessment	**72,536**	**65,715**	**62,396**	**59,277**
Additional NNDR	987	2,862	3,298	3,889
Council Tax	56,539	57,816	59,208	60,634
Council tax freeze grant 13/14	672	670	0	0
Grant for Council Tax Support scheme	267	0	0	0
New Homes Bonus	1,769	2,411	3,051	3,691
Efficiency Support for Services in Sparse Areas	31	0	0	0
Collection Fund Surplus	308	0	0	0
Business Rate Retention: Tariff & Levies	9,775	10,314	10,744	11,235
Education Services Grant	1,985	1,986	1,986	1,986
Use of reserves	2,309	1,366	798	235
Total Funding	**147,178**	**143,140**	**141,481**	**140,947**

Reserves

General Council reserves remain at £6.9m.

Other earmarked reserves total £24.9m, of these the revenue account support reserve is £9.7m. £4.7m of which is committed in the forward financial plan. Other significant usable reserves include £6.5m of revenue grants paid in advance, £1.7m of carried forward underspends from 12-13 and £1.2m held to meet any uninsured costs.

The Future Capital Programme

The realigned capital budget is shown in summary along with funding implications is shown in the table below. This shows the impact of approving the carry forward requests outlined earlier. Financing of the future capital programme relies heavily on grants and borrowing. The council's strategy of deferring borrowing by using internal cash balances will be maintained for as long as this is judged to deliver value for money.

Planned programme	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's
People Services	28,841	18,025	5,913	2,869
Policy & Resources	1,484	360	100	50
Places	38,999	21,887	14,413	10,333
Total	69,324	40,272	20,426	13,252
Funding Analysis				
Grant Funding	41,174	19,125	12,246	8,303
External Funding	646	2,080	0	0
Property Trading Account	2,451	1,950	3,000	0
Capital Receipts	2,000	2,000	2,000	2,000
Revenue Funding	336	33	28	28
Borrowing	22,717	15,084	3,152	2,921
Total	69,324	40,272	20,426	13,252

Other Future Developments

The whole of the public sector is going through a period of great change. This is partially driven by the significant reductions in public spending. The Council has a good track record of achieving savings and has put plans in place to meet all the known future reductions in Government Grant. The Council has setup several reviews aimed at transforming whole services. For example the Council is reviewing all of its central support functions and is aiming to save £1m by streamlining processes and reducing bureaucracy.

It is likely additional savings will be required in the 2015-16 financial year and beyond but the council is in a strong position to cope given it's good financial track record combined with the small revenue underspend and a modest decrease in reserves in 2012-13.

Mike Wedgewood – Director of Policy and Resources

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 secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Policy and Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Director of Policy and Resource's Responsibilities

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 the United Kingdom (the Code).

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 local authority Code.

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 2013 has been prepared in the form directed by the Code and under the accounting policies set out on in note 1.

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

Mike Wedgewood Director of Policy and Resources

Authority Approval of Statement of Accounts

These accounts were approved for publication by the Director of Policy and Resources on 26th June 2013.

North Lincolnshire Council Annual Governance Statement 2012/13

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

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

This section will be populated following the completion of the audit of the accounts in September 2013.

Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves of the Authority
	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2011	**8,015**	**22,607**	**1,604**	**16,728**	**48,954**	**176,095**	**225,049**
Movement in reserves during the year							
Surplus or (deficit) on the 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**	**(21,570)**	**(33,087)**	**(54,657)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	26,542		(120)	(7,760)	**18,662**	(18,662)	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**4,972**	**0**	**(120)**	**(7,760)**	**(2,908)**	**(51,749)**	**(54,657)**
Transfers to or from earmarked reserves (Note 8)	(3,228)	3,228	0		**0**		**0**
Increase/Decrease in Year	**1,744**	**3,228**	**(120)**	**(7,760)**	**(2,908)**	**(51,749)**	**(54,657)**
Balance as at 31 March 2012	**9,759**	**25,835**	**1,484**	**8,968**	**46,046**	**124,346**	**170,392**
Movement in reserves during the year							
Surplus or (deficit) on provision of services	(44,497)				**(44,497)**		**(44,497)**
Other Comprehensive Income and Expenditure	0		0		**0**	(29,219)	**(29,219)**
Total Comprehensive Income and Expenditure	**(44,497)**	**0**	**0**	**0**	**(44,497)**	**(29,219)**	**(73,716)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	43,874		(292)	11,944	**55,526**	(55,526)	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(623)**	**0**	**(292)**	**11,944**	**11,029**	**(84,745)**	**(73,716)**
Transfers to or from earmarked reserves (Note 8)	886	(886)			**0**		**0**
Increase/Decrease in Year	**263**	**(886)**	**(292)**	**11,944**	**11,029**	**(84,745)**	**(73,716)**
Balance Sheet As At 31 March 2013	**10,022**	**24,949**	**1,192**	**20,912**	**57,075**	**39,601**	**96,676**

Comprehensive Income and Expenditure Statement for the year ended 31st March 2013

	Notes	31/03/2013			31/03/2012		
		£000	£000	£000	£000	£000	£000
		Expenditure	Income	Net	Expenditure	Income	Net
Central services to the public		16,630	(14,339)	2,291	17,499	(14,177)	3,322
Cultural and related services		16,647	(4,726)	11,921	24,577	(4,561)	20,016
Environment and regulatory services		25,792	(3,709)	22,083	25,958	(3,655)	22,303
Planning Services		6,547	(1,763)	4,784	6,995	(1,636)	5,359
Education and Children's services		139,368	(94,395)	44,973	169,173	(117,043)	52,130
Highways and transport services		16,902	(2,813)	14,089	18,359	(2,719)	15,640
Other housing services		52,879	(44,957)	7,922	52,243	(41,913)	10,330
Adult Social Care		56,372	(17,371)	39,001	55,042	(16,752)	38,290
Corporate and democratic core		6,381	(2,114)	4,267	6,778	(2,210)	4,568
Non distributed costs		0	(3,054)	(3,054)	0	(2,291)	(2,291)
Surplus/Deficit on Continuing Operations		**337,518**	**(189,241)**	**148,277**	**376,624**	**(206,957)**	**169,667**
Other Operating Expenditure	9			58,096			13,884
Financing and Investment Income and Expenditure	10			12,197			8,680
Taxation and Non-Specific Grant Income: Other	11			(174,073)			(170,661)
(Surplus) or Deficit on Provision of Services				**44,497**			**21,570**
Surplus or deficit on revaluation of non current assets	12			(11,787)			(5,625)
Actuarial gains / losses on pension assets / liabilities	48			41,006			38,712
Other Comprehensive Income and Expenditure				**29,219**			**33,087**
Total Comprehensive Income and Expenditure				**73,716**			**54,657**

Balance Sheet

	Notes	31st March 2013 £000	31st March 2012 £000	31st March 2011 £000
Property, Plant & Equipment	**12**	401,078	449,478	449,498
Heritage Assets	**13**	1,039	1,039	1,485
Investment Property	**12**	41,304	42,476	42,061
Intangible Assets	**12**	182	244	0
Assets held for sale	**21**	5,747	4,895	5,260
Long Term Investments	**16**	10	10	1,500
Long Term Debtors	**16/19**	418	1,195	1,266
Long Term Assets		**449,778**	**499,337**	**501,070**
Short Term Investments	**16**	1,182	1,787	2,675
Inventories	**17**	640	533	465
Short Term Debtors	**16/19**	20,530	17,328	29,646
Cash and Cash Equivalents	**20**	13,411	7,786	14,248
Current Assets		**35,763**	**27,434**	**47,034**
Short Term Borrowing	**16**	1,271	2,025	5,647
Other Short Term Liabilities	**16**	130	209	256
Short Term Creditors	**22**	23,372	29,458	26,960
Provisions	**23**	808	890	263
Current Liabilities		**25,581**	**32,582**	**33,126**
Long Term Creditors	**22**	0	44	43
Provisions	**23**	1,219	1,062	1,607
Long Term Borrowing	**16**	107,708	108,869	110,743
Other Long Term Liabilities	**16/ 48**	254,357	213,822	177,536
Long Term Liabilities		**363,284**	**323,797**	**289,929**
Net Assets		**96,676**	**170,392**	**225,049**
Usable reserves	**24**	57,075	46,046	48,954
Unusable Reserves	**25**	39,601	124,346	176,095
Total Reserves		**96,676**	**170,392**	**225,049**

Cash flow Statement

The indirect method has been used to calculate these figures.

	Notes	2012/13 £000	2011/12 £000
Net surplus or (deficit) on the provision of services		(44,497)	(21,570)
Adjustment to surplus or deficit on the provision of services for noncash movements		80,108	65,847
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(37,417)	(29,174)
Net cash flows from operating activities	26	(1,806)	15,103
Net Cash flows from Investing Activities	27	10,155	(26,066)
Net Cash flows from Financing Activities	28	(2,724)	4,501
Net increase or decrease in cash and cash equivalents	20	5,625	(6,462)
Cash and cash equivalents at the beginning of the reporting period	20	7,786	14,248
Cash and cash equivalents at the end of the reporting period	**20**	**13,411**	**7,786**

Notes to the Accounts

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Council 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 2012/13 and the Service Reporting Code of Practice 2012/13, 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.

Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. In respect of both capital and revenue transactions, the Council operates on the normal accruals concept of income and expenditure above the Council's de minimis threshold of £2,000. 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

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

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 Council's financial performance.

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Charges to Revenue for Non-current Assets

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

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

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

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 Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday 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 Council 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 or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council 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 Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment Benefits

Employees of the Council are members of 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 of Yorkshire Council.

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

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. 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 Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (based on the indicative rate of return on high quality corporate bond).
- The assets of the East Riding pension fund attributable to the Council are included in the Balance Sheet at their fair value:
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value.

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

- current service cost – the increase in liabilities as 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 Council, 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 Council 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 Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are 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 Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

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.

Financial Instruments

Financial Liabilities

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

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

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

If a soft loan is 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 Council 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 Council.

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

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the 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).

Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where 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.

Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.
Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.
Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Heritage Assets

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

The Council holds several assets which are held to increase the knowledge, understanding and appreciation of the Council's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below. The Council's collections of heritage assets are accounted for as follows.
The asset will be accounted for at the value used for insurance purposes or its fair value as determined by a qualified valuer.

Heritage Assets – General

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

Intangible Assets

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

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

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

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 First In, First Out (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 Council has set a de minimis value of £10,000 below which inventories are not held on balance sheet.

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.

Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council 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 Council 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 Council 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 Council 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.

Leases

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

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

The Council as Lessee

Finance Leases

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

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve 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 Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

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 2012/13 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council’s status as a 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 *Se*RCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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 life commencing with the first full year the asset is brought into use with the exceptions;

- vehicles, where it is applied from the initial point of use.
- 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. In the case of vehicles depreciation is calculated after deducting an initial estimate of its final saleable value.
- infrastructure – straight-line allocation over the assets useful life.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any 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. 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.

Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

Reserves

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

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

Revenue Expenditure Funded from Capital under Statute

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

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.

Carbon Reduction Commitment Allowances

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

2. Accounting Standards Issued, Not Adopted

For 2012/13 the following accounting policy changes have been issued but are not incorporated into the current accounting requirements for Local Authorities

- amendments to IAS 1 Presentation of Financial Statements (other comprehensive income, June 2011). This change is purely presentational and will not have an impact on the financial performance of the council.
- amendments to IFRS 7 Financial Instruments: Disclosures (offsetting financial assets and liabilities,19 December 2011). This does not affect the council.
- amendments to IAS 12 Income Taxes20 (deferred tax: recovery of underlying assets, December 2010). This does not affect the council.
- amendments to IAS 19 Employee Benefits (June 2011). Changes to IAS19 come into effect for the financial year to 31 March 2014. The changes will be adopted retrospectively for the prior year, in accordance with IAS8. The effect of the change to IAS19 on the income statement to 31 March 2013 will be an increase of £3,655,000.
- IFRS 13 Fair Value Measurement (May 2011). The application of this standard to the public sector has been deferred until 2014-15.

3. Critical Judgements in Applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- In 2008 the Council deposited £2.0m with the Icelandic Bank Landsbanki and £3.5m with Heritable Bank. These banks went into administration before the investments were repaid. Most 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.

4. Assumptions Made about the Future and Other Major Sources of Estimation

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

The items in the Council's Balance Sheet at 31 March 2013 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.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £300k 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 Council with expert advice about the assumptions to be applied.	The assumptions interact in complex ways. During 2012/13, the Council's actuaries advised that the net pensions liability had increased by £41.0m as a result of estimates being corrected and as a result of the updating of the assumptions.
Arrears	At 31 March 2013, the Council had a balance of sundry debtors for £8.2m. 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 this financial year the most material movement in the accounts was the derecognition of approximately £53m of schools assets as they left Local Council control and transferred to Academy status.

6. Events after the Balance Sheet Date

The Council transferred its former Housing Revenue Account housing stock to a registered social landlord (North Lincolnshire Homes LTD) in 2007. As part of this arrangement the Council was due to receive a share of former right to buy receipts and VAT tax shelter savings over a 10 year period ending in 2017. This arrangement was terminated with effect 1st April 2012 for a one off final settlement of £3.3m which was paid in June 2013. The capital receipt has been recognised in 2012/13 accounts.

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.

2012/13	Usable Reserves General Fund Balance £000	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	10,232			(10,232)
Amortisation of Intangible Assets	99			(99)
Revaluation losses on Property Plant and Equipment	14,668			(14,668)
Movements in the Fair Value of Investment Properties	732			(732)
Capital grants and contributions unapplied credited to the Comprehensive I&E Statement	(32,353)		19,159	13,194
Unapplied Capital Grants used in financing			(7,215)	7,215
Revenue expenditure funded from capital under statute	3,694			(3,694)
Carrying amount of non current assets sold	61,254			(61,254)
Loans/Lease principal repayments during the year	(227)			227
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory Provision for the Financing of Capital Investment	(6,964)			6,964
Capital expenditure charged against the General Fund and HRA balances	(500)			500
Adjustments involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure		(1,928)		1,928
Proceeds From Sale of Non Current Assets	(1,715)	1,715		
Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	79	(79)		
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	8	(8)		
Transfer to deferred capital receipts reserve upon receipt of cash		8		(8)
Adjustments involving the Deferred Capital Receipts Reserve				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,350)			3,350
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)	17,455			(17,455)
Employer's pensions contributions and direct payments to pensioners payable in the year	(17,778)			17,778
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	306			(306)
Adjustment involving the Accumulating Compensated Absences Adjustment Account				
Adjustments in relation to Short-term compensated absences	(1,766)			1,766
Total Adjustments	**43,874**	**(292)**	**11,944**	**(55,526)**

2011/12	Usable Reserves General Fund Balance £000	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 Fair Value of Investment Properties	(732)			732
Capital grants and contributions unapplied 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 Government capital receipts pool.	10	(10)		
Transfer to deferred capital receipts reserve upon receipt of cash		12		(12)
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)	0	0	953
Total Adjustments	**26,542**	**(120)**	**(7,760)**	**(18,662)**

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 2012/13.

	Balance	Transfers In	Transfers Out	Balance	Transfers In	Transfers Out	Balance
	Balance as at 1 April 2011	2011/12	2011/12	Balance as at 31 March 2012	2012/13	2012/13	Balance as at 31 March 2013
	£000	£000	£000	£000	£000	£000	£000
General Fund:							
Revenue Support Reserve	8,489	1,951	0	10,440	1,013	(1,726)	9,727
Revenue Grants	8,237	3,373	(4,268)	7,342	1,204	(2,025)	6,521
Impairment Reserve	2,000	1	0	2,001	0	0	2,001
General Carry Forwards	394	0	(394)	0	1,726	0	1,726
Dedicated Schools Grant	1,659	1,480	0	3,139	0	(1,824)	1,315
Insurance	999	174	0	1,173	0	0	1,173
Safety Camera Partnership	0	74	0	74	592	0	666
Self Insurance	274	138	0	412	159	0	571
Property Trading Account	29	330	0	359	6	0	365
Legal Services Reserve	0	250	0	250	0	0	250
Scunthorpe Special Expenses	121	69	0	190	37	(45)	182
HRA Closedown	125	0	0	125	0	0	125
Pumping Stations	66	24	0	90	11	0	101
Corporate System	30	60	0	90	0	0	90
LPSA (PRG)	91	0	(3)	88	0	(16)	72
Crematorium Enhancement	30	2	0	32	2	0	34
Commuted Sums	0	30	0	30	0	0	30
Building Control	62	0	(62)	0	0	0	0
Additional MRP Reserve	1	0	(1)	0	0	0	0
Total Earmarked Reserves	**22,607**	**7,956**	**(4,728)**	**25,835**	**4,750**	**(5,636)**	**24,949**

Revenue Support Reserve

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

Revenue Grants

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

Dedicated Schools Grant

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

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.

Other Operating Expenditure	2012/13 £000	2011/12 £000
Parish council precepts	1,371	1,348
Payments to the Government Housing Capital Receipts Pool	8	10
Gains/losses on the disposal of non-current assets	55,543	11,355
Levies	1,174	1,171
	58,096	**13,884**

Precepts	2012/13 £000	2011/12 £000
Alkborough	4	4
Amcotts	2	2
Appleby	6	6
Ashby Parkland	2	2
Barnetby-le-wold	24	24
Barrow-on-Humber	14	14
Barton-upon-Humber	164	165
Belton	15	20
Bonby	12	9
Bottesford	99	99
Brigg	117	116
Broughton	98	98
Burringham	12	12
Burton-upon-Stather	45	45
Cadney-cum-Howsham	7	7
Crowle	63	54
East Butterwick	1	1
East Halton	4	4
Eastoft	4	4
Elsham	5	5
Epworth	57	56
Flixborough	12	10
Garthorpe & Fockerby	7	6
Goxhill	50	51
Gunness	34	34
Haxey	35	35
Hibaldstow	15	15
Holme	0	0
Horkstow	2	2
Keadby with Althorpe	29	29
Kirmington & Croxton	9	9
Kirton-in-Lindsey	73	73
Luddington	4	4
Manton	0	0
Melton Ross	3	3
Messingham	47	45
New Holland	9	9
North Killingholme	5	5
Owston Ferry	12	13
Redbourne	7	7
Roxby-cum-Risby	6	6
Saxby-all-Saints	4	2
Scawby-cum-Sturton	29	29
South Ferriby	13	13
South Killingholme	15	15
Thornton Curtis	2	1
Ulceby	13	13
West Butterwick	0	0
West Halton	5	5
Whitton	3	3
Winteringham	13	13
Winterton	122	114
Wootton	3	3
Worlaby	11	11
Wrawby	13	13
Wroot	11	10
Total	**1,371**	**1,348**

The table above has been rounded to ensure the total is correct.

Surplus/Deficit on Non-Current Assets (excl Investment Properties)	2012/13 £000	2011/12 £000
Net Proceeds from Sale General	(4,782)	(1,984)
Disposal costs	79	0
Carrying amount of non-current assets sold (excl Investment Properties)	60,246	13,339
	55,543	**11,355**

10. Financing and investment Income and Expenditure

	2012/13 £000	2011/12 £000
Interest payable and similar charges	6,197	6,530
Pensions interest cost and expected return on pensions assets	6,420	4,269
Interest receivable and similar income	(165)	(214)
Income and expenditure in relation to investment properties and changes in their fair value	8	(1,866)
Surplus/(Deficit) on trading operations	(263)	(39)
Total	**12,197**	**8,680**

Further details for the five items in this table are listed below.

Interest Payable and Similar Charges	2012/13 £000	2011/12 £000
Lease/hire purchase interest	0	43
Reversal of Impairment	(98)	(99)
Loan Interest	6,282	6,570
Amortised Premium	13	16
	6,197	**6,530**

Pensions interest cost and expected return on pensions assets	2012/13 £000	2011/12 £000
Expected return on assets in the scheme	(21,201)	(24,758)
Interest cost	27,621	29,027
	6,420	**4,269**

Interest receivable and similar income	2012/13 £000	2011/12 £000
Loans	0	(45)
Other Investment income	(165)	(169)
	(165)	**(214)**

Income and expenditure in relation to investment properties and changes in their fair value	2012/13 £000	2011/12 £000
Income including rental income	(3,098)	(3,040)
Expenditure	1,649	1,983
Net income from investment properties	**(1,449)**	**(1,057)**
Surplus/deficit on sale of Investment Properties:		
Proceeds from sale	(283)	(862)
Carrying amount of investment properties sold	1,008	785
(Surplus)/deficit on sale of Investment Properties:	**725**	**(77)**
Changes in Fair Value of Investment Properties	**732**	**(732)**
	8	**(1,866)**

Further detail can be found in Note 12.

Surplus/(Deficit) on trading operations - (see Note 30)	2012/13 £000	2011/12 £000
Income from trading	(13,443)	(13,403)
Expenditure	13,180	13,364
Surplus/(Deficit) for the year	**(263)**	**(39)**

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

11. Taxation and Non-Specific Grant Income

Taxation and Non-Specific Grant Income	2012/13 £000	2011/12 £000
Council Tax Income	**68,121**	**67,651**
Non Domestic Rates	**58,459**	**48,235**
Non-ringfenced government grants	**15,140**	**28,447**
Capital Grants	**32,353**	**26,328**
Total Taxation and Non-Specific Grant Income	**174,073**	**170,661**

Further details Non-ringfenced government grants are listed below this table. Capital grants are further analysed as Applied and Unapplied.

Central Government Grants	2012/13 £000	2011/12 £000
Revenue Support Grant	1,445	14,910
Other non-ring-fenced grants	11,382	11,310
New Homes Bonus	640	570
Council Tax Reduction Grant	1,673	1,657
Total	**15,140**	**28,447**

Capital Grants and Donated Assets-Applied	2012/13 £000	2011/12 £000
Government & Other Grants-Conditions met and applied in year	12,876	18,962
Donated Assets-Conditions met	318	0
Total	**13,194**	**18,962**

Capital Grants-Unapplied	2012/13 £000	2011/12 £000
Government & Other Grants-Conditions met and not applied.	19,159	7,366
Total	**19,159**	**7,366**

12. Property, Plant and Equipment

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

	Property, Plant & Equipment (PP&E)									
	Other Land and Buildings	Infrastructure Assets	Vehicles, Plant & Equipment	Community 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
Cost or Valuation										
Balance as at 1 April 2012	**396,156**	**71,747**	**18,550**	**1,195**	**7,628**	**525**	**495,801**	**42,476**	**421**	**538,698**
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	**0**	0	0	0
Adjusted opening balance	**396,156**	**71,747**	**18,550**	**1,195**	**7,628**	**525**	**495,801**	**42,476**	**421**	**538,698**
Additions (Note 40)	16,282	7,379	1,210	0	326	0	**25,197**	140	37	**25,374**
Donations		0	0	0	0	0	**0**	318		**318**
Revaluation increases/decreases to Revaluation Reserve	10,530	0	7	0	110	(28)	**10,619**	0	0	**10,619**
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(5,083)	(2,953)	(6,334)	0	(2,719)	(5,558)	**(22,647)**	(732)	0	**(23,379)**
Derecognition - Disposals	(58,975)	0	(873)	0	(429)	0	**(60,277)**	(1,008)	0	**(61,285)**
Derecognition - Other	(1,499)	0	(39)	0	(48)	0	**(1,586)**	0	0	**(1,586)**
Reclassifications & Transfers	(11,335)	0	(9)	(3)	(1,262)	12,609	**0**	0	0	**0**
Reclassified to Held for Sale	(1,831)	0	0	0	0	0	**(1,831)**	0	0	**(1,831)**
Reclassified from Held for Sale	0	0	0	0	0	0	**0**	110	0	**110**
Balance as at 31 March 2013	**344,245**	**76,173**	**12,512**	**1,192**	**3,606**	**7,548**	**445,276**	**41,304**	**458**	**487,038**
Depreciation and Impairment										
Balance as at 1 April 2012	23,747	10,949	9,008	0	2,598	21	**46,323**	**0**	**177**	**46,500**
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	**0**			**0**
Adjusted opening balance	23,747	10,949	9,008	0	2,598	21	**46,323**	0	177	**46,500**
Depreciation Charge	9,650	4,090	2,916	0	0	23	**16,679**	0	**99**	**16,778**
Depreciation written out on Revaluation Reserve	(1,147)		0	0	0	(21)	**(1,168)**	0	**0**	**(1,168)**
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	(503)	(729)	(6,169)	0	0	(671)	**(8,072)**	0	**0**	**(8,072)**
Impairment losses/reversals to Revaluation Reserve	0	0	0	0	0	0	**0**	0	**0**	**0**
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	422	0	0	0	(2,585)	(4,284)	**(6,447)**	0	**0**	**(6,447)**
Derecognition - Disposals	(3,067)	0	(9)	0	0	0	**(3,076)**	0	**0**	**(3,076)**
Derecognition - Other	0	0	0	0	0	0	**0**	0	**0**	**0**
Reclassifications & Transfers	(4,970)	0	(9)	0	0	4,979	**0**	0	**0**	**0**
Eliminated on reclassification to Held for Sale	(41)	0	0	0	0	0	**(41)**	0	**0**	**(41)**
Balance as at 31 March 2013	**24,091**	**14,310**	**5,737**	**0**	**13**	**47**	**44,198**	**0**	**276**	**44,474**
Net Book Value										
Balance as at 31 March 2013	**320,154**	**61,863**	**6,775**	**1,192**	**3,593**	**7,501**	**401,078**	**41,304**	**182**	**442,564**
Balance as at 31 March 2012	**372,409**	**60,798**	**9,542**	**1,195**	**5,030**	**504**	**449,478**	**42,476**	**244**	**492,198**

Comparative Year	Other Land and Buildings £000	Infrastructure Assets £000	Vehicles, Plant & Equipment £000	Community Assets £000	PP&E Under Construction £000	Surplus Assets £000	**Total PP&E** £000	**Investment Properties** £000	**Intangible Assets** £000	**TOTAL** £000
	Property, Plant & Equipment (PP&E)									
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 40)	32,799	6,863	3,054	0	12,259	0	**54,975**	100	169	**55,244**
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	0	0	0	**(194)**	0	0	**(194)**
Reclassified from Held for Sale	210	0	0	0	0	**0**	**210**	0	0	**210**
At 31 March 2012	**396,156**	**71,747**	**18,550**	**1,195**	**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**
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**		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**	**(362)**
Reclassifications & Transfers	(60)	0	(125)	0	0	10	**(175)**	50	125	**0**
At 31 March 2012	**23,747**	**10,949**	**9,008**	**0**	**2,598**	**21**	**46,323**	**0**	**177**	**46,500**
Net Book Value										
At 31 March 2012	**372,409**	**60,798**	**9,542**	**1,195**	**5,030**	**504**	**449,478**	**42,476**	**244**	**492,198**
Balance as at 31 March 2011	**331,498**	**56,229**	**8,867**	**1,249**	**51,655**	**0**	**449,498**	**42,061**	**0**	**491,559**

Depreciation

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

- Other Land and Buildings – 1–100 years
- Vehicles, Plant, Furniture & Equipment – 1-12 years
- Infrastructure – 3-50 years

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations 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. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

Capital Commitments

At 31 March 2012, the Council 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 £31.7m. The major commitments are:-

Building Schools for the Future	£28.0m
Children's Campus	£1.0m
Bowmandale School	£0.9m
Willoughby Road School	£0.6m
Baths Hall	£0.4m
The Pods	£0.3m
Alkborough School	£0.2m
Westcliffe School	£0.2m

Impairments

Only two assets have been impaired during 2012-13. These were Quibell Park where a fire caused extensive damage and the Cremators at Woodlands Crematorium which were replaced. See Note 44 for more details.

Effects of Changes in Estimates

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

13. Heritage Assets

There were no movements in the valuations of Heritage Assets for the three preceding financial years before those shown in the table below.

	Civic Regalia £000	Museum Collection £000	War Memorials £000	Total Assets £000
Balance as at 1 April 2011	60	1,425	0	**1,485**
Revaluations recognised in the Revaluation Reserve	159	0	0	**159**
Revaluations recognised in Surplus or Deficit on the Provision of Services	(60)	(545)	0	**(605)**
Balance as at 31 March 2012	**159**	**880**	**0**	**1,039**
Cost or Valuation				
Balance as at 1 April 2012	159	880	0	1,039
Balance as at 31 March 2013	**159**	**880**	**0**	**1,039**

The Council 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 Council's predecessors Scunthorpe and Glanford Borough Councils.

War Memorials

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

14. 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:	31/03/2013 £000	31/03/2012 £000
Rental income from investment property	(3,098)	(3,040)
Direct operating expenses arising from investment property	1,649	1,983
'Net Gain/Loss included in Financing & Investment Income in the CIES'	**(1,449)**	**(1,057)**

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

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

	31/03/2013 £000	31/03/2012 £000
Balance at start of the year	42,476	42,061
Additions:		
- Purchases	0	0
- Construction	458	100
- Subsequent expenditure	0	0
Disposals	(1,008)	(785)
Net gains/losses from fair value adjustments	(732)	732
Transfers:		
- to/from Inventories	0	0
-to/from Property, Plant and Equipment	0	368
Other changes	110	0
Balance at end of the year	**41,304**	**42,476**

15. Intangible Assets

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

	2012/13 Total £000	2011/12 Total £000
Balance at start of year:		
· Gross carrying amounts	421	0
· Accumulated amortisation	(177)	0
Net carrying amount at start of year	**244**	**0**
Additions:		
· Purchases	37	169
	281	**169**
Transfers from PPE	0	252
Amortisation for the period	(99)	(52)
Other changes	0	(125)
Net carrying amount at end of year	**182**	**244**
Comprising:		
· Gross carrying amounts	458	421
· Accumulated amortisation	(276)	(177)
	182	**244**

16. Financial Instruments

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

	Long-term 31/03/13 £000	31/03/12 £000	31/03/11 £000	Current 31/03/13 £000	31/03/12 £000	31/03/11 £000
Investments						
Available-for-sale financial assets	0	0	0	1,182	1,787	2,675
Unquoted equity investment at cost	10	10	1,500	0	0	0
Total investments	**10**	**10**	**1,500**	**1,182**	**1,787**	**2,675**
Debtors						
Loans and receivables	418	1,195	1,266	0	0	0
Financial assets carried at contract amounts	0	0	0	20,530	13,353	23,962
Total Debtors	**418**	**1,195**	**1,266**	**20,530**	**13,353**	**23,962**
Borrowings						
Financial liabilities at amortised cost	107,708	108,869	110,743	1,271	2,025	5,647
Total borrowings	**107,708**	**108,869**	**110,743**	**1,271**	**2,025**	**5,647**
Other Long Term Liabilities						
PFI and finance lease liabilities	164	312	525	130	209	256
Total other long term liabilities	**107,872**	**109,181**	**111,268**	**1,401**	**2,234**	**5,903**
Creditors						
Financial liabilities carried at contract amount	0	0	0	23,372	29,458	26,960
Total creditors	**0**	**0**	**0**	**23,372**	**29,458**	**26,960**

	2012/13					2011/12				
	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	6,295	0	0	0	**6,295**	6,629	0	0	0	**6,629**
Losses on derecognition	0	0	0	0	**0**	0	0	0	0	**0**
Reductions in fair value	0	0	0	0	**0**	0	0	0	0	**0**
Impairment losses	0	0	(98)	0	**(98)**	0	0	(100)	0	**(100)**
Fee expense	0	0	0	0	**0**	0	0	0	0	**0**
Total expense in Surplus or Deficit on the Provision of Services	**6,295**	**0**	**(98)**	**0**	**6,197**	**6,629**	**0**	**(100)**	**0**	**6,529**
Interest income	0	0	0	0	**0**	0	0	0	0	**0**
Interest income accrued on impaired financial assets	0	0	0	0	**0**	0	0	0	0	**0**
Increases in fair value	0	0	0	0	**0**	0	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**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Gains on revaluation	0	0	0	0	**0**	0	0	0	-	**0**
Losses on revaluation	0	0	0	0	**0**	0	0	0	0	**0**
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	0	0	0	0	**0**	0	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	**6,295**	**0**	**(98)**	**0**	**6,197**	**6,629**	**0**	**(100)**	**0**	**6,529**

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 2013 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.

This table shows the carrying value and fair value of the loans to the Council by the Public Works Loans board.

	31/03/13		31/03/12	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Public Works Loans Board	103,903	138,067	105,825	136,474
Bonds	5,000	6,715	5,000	7,059

The fair value of the liabilities is higher than the carrying amount because the Council'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 2013) 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	Purchases £000	Recognised as an expense in year £000	Written off balances £000	Reversals of write-offs in previous years £000	2012/13 £000
Operations Stock	64	15	(9)	0	0	70
Catering and Cleaning Stock	67	1,526	(1,545)	0	0	48
Fleet Stock	49	1,060	(1,046)	(5)	0	58
Waste Stock	78	149	(9)	(53)	0	165
Technical & Environment Stock	22	7	0	0	0	29
Highways Salt Inventory	46	0	(15)	0	0	31
Normanby Hall Trading	14	1	0	0	0	15
Sports Facilities Trading	23	3	0	0	0	26
Highways Materials	128	27	0	(5)	0	150
Community Store - Adults	42	6	0	0	0	48
Total	**533**	**2,794**	**(2,624)**	**(63)**	**0**	**640**

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	
	2012/13	2011/12	2012/13	2011/12
	£000	£000	£000	£000
Central Government Bodies	0	0	4,011	3,004
Other Local Authorities	0	0	1,637	1,093
NHS Bodies	0	0	154	106
Public corporations and trading funds	0	0	0	0
Other entities and individuals	0	0	11,174	8,811
Finance lease debtors-Note 41	0	0	0	0
Prepayments	0	0	1,925	2,142
Impairment of loans and receivables	0	0	(1,796)	(1,803)
Employee Car Loans	10	40	8	0
Loans and Advances	408	1,155	0	0
Total of Financial Instruments	**418**	**1,195**	**17,113**	**13,353**
NDR & Council Tax	0	0	2,180	2,334
Value Added Tax	0	0	1,237	1,641
Non-Financial Instruments	**0**	**0**	**3,417**	**3,975**
Total	**418**	**1,195**	**20,530**	**17,328**

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:

	2012/13 £000	2011/12 £000
Cash and Bank balances	149	432
Short Term Investments	14,096	7,354
Bank Overdraft	(834)	0
Total	**13,411**	**7,786**

21. Assets held for sale

These assets are being actively marketed for sale

	Non Current	
	31/03/13	31/03/12
	£000's	£000's
Balance outstanding at start of year	**4,895**	5,260
Transferred from Non-Current Assets during year	1,680	(16)
Revaluation Gains losses taken to Surplus or deficit on the provision of services	(93)	(85)
Revaluation gains losses other	0	91
Assets sold Cost	(735)	(355)
Balance outstanding at year-end	**5,747**	**4,895**

22. Creditors

Short Term Creditors

These are amounts owed by the council in the next twelve months, to 31st March 2014.

Short Term Creditors	2012/13 £000	2011/12 £000
Government Departments	4,957	5,860
Other Authorities	947	851
NHS Bodies	161	64
Bodies external to general government	12,610	13,855
NNDR & Council Tax	1,822	4,294
Accumulated Absences	1,933	3,699
Receipts in advance	942	835
Total Short Term Creditors	**23,372**	**29,458**

Long Term Creditors

These are amounts owed by the council and due for payment after 31st March 2014.

Long Term Creditors	2012/13 £000	2011/12 £000
Other creditors falling due after more than one year		
Other	0	44
Total Long Term Creditors	**0**	**44**

Total Creditors	**23,372**	**29,502**

23. Provisions

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

2012/13	Balance as at 1 April 2012 £000	Increase in provision during year £000	Utilised during year £000	Unused Amounts Reversed £000	Balance as at 31 March 2013 £000
Insurance Claims	1,884	714	(1,011)	0	1,587
Municipal Mutual	0	372	0	0	372
Other	68	54	(53)	(1)	68
	1,952	**1,140**	**(1,064)**	**(1)**	**2,027**
Current Provisions	890	676	(757)	(1)	808
Long Term Provisions	1,062	464	(307)	0	1,219
	1,952	**1,140**	**(1,064)**	**(1)**	**2,027**

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

Insurance Claims

This provision has been set aside to meet the estimated costs of the council's outstanding insurance claims. Claims can take a considerable period of time to settle and the provision has been split between short and long term based on current best estimates.

Municipal Mutual

This provision has been set aside to meet the likely levy the council will have to pay due to the winding down of the Municipal Mutual Company. The provision is based on the notified levy rate of 15%. The estimated maximum levy rate is 28% and the 13% difference between the council's maximum exposure and the amount provided for has been disclosed as a contingent liability. There is currently no timescale for the final winding down of this company and it is likely to be more than 12 months before there is a call on this provision.

24. Reserves

This table gives further detail about the Total Council 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.

	Note	USABLE RESERVES Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Earmarked Reserves £000	General Fund £000	TOTAL USABLE RESERVES £000	UNUSABLE RESERVES Capital Adjustment Account £000	Revaluation Reserve £000	Pensions Reserve £000	Deferred Capital Receipts Account £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	TOTAL UNUSABLE RESERVES £000	TOTAL AUTHORITY RESERVES £000
Balance as at 1 April 2012		1,484	8,968	25,835	9,759	**46,046**	265,473	75,895	(213,510)	10	177	(3,699)	**124,346**	**170,392**
Movements during the year:														
Applied Capital Grants					(13,194)	**(13,194)**	13,194						**13,194**	**0**
Unapplied Capital Grants received in year			19,159		(19,159)	**0**							**0**	**0**
Unapplied Capital Grants transferred to CAA in year			(7,215)			**(7,215)**	7,215						**7,215**	**0**
Transfer grants/conts on impaired spend					0	**0**	0						**0**	**0**
Grants relating to assets disposed of					0	**0**	0						**0**	**0**
Direct Revenue Financing	**7**				(500)	**(500)**	500						**500**	**0**
Depreciation & impairment adjustment	**7**				24,999	**24,999**	(24,999)						**(24,999)**	**0**
Loans/Lease principal repayment	**7**				(227)	**(227)**	227						**227**	**0**
Transfers between Statutory and Other Reserves and General Fund Scotland	**7**				0	**0**							**0**	**0**
Net Revenue expenditure funded from capital under statute	**7**				3,694	**3,694**	(3,694)						**(3,694)**	**0**
Surplus/(Deficit) on the Provision of Services					(44,497)	**(44,497)**							**0**	**(44,497)**
Transfer from Useable Capital Receipts equal to the amount payable into the Housing Capital Receipt Pool	**7**	(8)			8	**0**							**0**	**0**
Transfers to or from earmarked reserves				(886)	886	**0**							**0**	**0**
Net movements on Pension Reserve	**47**				(323)	**(323)**			323				**323**	**0**
Disposal of Non Current Assets/Capital Sales	**7**	1,636			56,268	**57,904**	(54,948)	(6,306)		3,350			**(57,904)**	**0**
Minimum Revenue Provision For Capital Financing / Loans Pool / Finance Lease / PFI	**7**				(6,964)	**(6,964)**	6,964						**6,964**	**0**
Capital Receipts used to finance capital expenditure		(1,928)				**(1,928)**	1,928						**1,928**	**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**				306	**306**					(306)		**(306)**	**0**
Adjustments in relation to Short-term compensated absences					(1,766)	**(1,766)**						1,766	**1,766**	**0**
Movement in Investment Property Valuations					732	**732**	(732)						**(732)**	**0**
Revaluation	**12**					**0**		11,787	(41,006)				**(29,219)**	**(29,219)**
Other Movements		8			0	**8**	4,924	(4,924)		(8)			**(8)**	**0**
Total movements on reserves during the year (Change in Net Worth)		**(292)**	**11,944**	**(886)**	**263**	**11,029**	**(49,421)**	**557**	**(40,683)**	**3,342**	**(306)**	**1,766**	**(84,745)**	**(73,716)**
Balance as at 31 March 2013		**1,192**	**20,912**	**24,949**	**10,022**	**57,075**	**216,052**	**76,452**	**(254,193)**	**3,352**	**(129)**	**(1,933)**	**39,601**	**96,676**

2011/2012		Capital Receipts Reserve	Capital Grants Unapplied Account	Earmarked Reserves	General Fund	TOTAL USABLE RESERVES	Capital Adjustment Account	Revaluation Reserve	Pensions Reserve	Deferred Capital Receipts Account	Collection Fund Adjustment Account	Accumulated Absences Account	TOTAL UNUSABLE RESERVES	TOTAL AUTHORITY RESERVES
		USABLE RESERVES					UNUSABLE RESERVES							
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2011		1,604	16,728	22,607	8,015	**48,954**	281,100	75,244	(177,011)	22	1,392	(4,652)	**176,095**	**225,049**
Movements during the year:														
Applied Capital Grants	*11*				(18,962)	**(18,962)**	18,962						**18,962**	**0**
Unapplied Capital Grants received in year	*11*		7,366		(7,366)	**0**							**0**	**0**
Unapplied Capital Grants transferred to CAA in year			(15,126)			**(15,126)**	15,126						**15,126**	**0**
Direct Revenue Financing	*7*				(389)	**(389)**	389						**389**	**0**
Depreciation & impairment adjustment	*7*				49,144	**49,144**	(49,144)						**(49,144)**	**0**
Loans/Lease principal repayment	*7*				(259)	**(259)**	259						**259**	
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 Receipts equal 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	*48*				(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	*7*				(6,421)	**(6,421)**	6,421						**6,421**	**0**
Capital Receipts used to finance capital expenditure		(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					(953)	**(953)**						953	**953**	**0**
Revaluation	*12/48*					**0**		5,625	(38,712)				**(33,087)**	**(33,087)**
Movement in Investment Property Values	*7*				(732)	**(732)**	732						**732**	**0**
Other Movements		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)**	**651**	**(36,499)**	**(12)**	**(1,215)**	**953**	**(51,749)**	**(54,657)**
Balance as at 31 March 2012		**1,484**	**8,968**	**25,835**	**9,759**	**46,046**	**265,473**	**75,895**	**(213,510)**	**10**	**177**	**(3,699)**	**124,346**	**170,392**

25. Usable and Unusable Reserves

Usable Reserves

Capital Receipts Reserve

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

Capital Receipts Reserve	31/03/2013 £000	31/03/2012 £000
Balance 1 April	**1,484**	**1,604**
Capital Receipts in year	1,636	2,846
Deferred Receipts realised	8	12
	3,128	**4,462**
Less:		
Capital Receipts Pooled	(8)	(10)
Capital Receipts used for financing	(1,928)	(2,968)
Balance 31 March	**1,192**	**1,484**

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.

Capital Grants Unapplied	31/03/2013 £000	31/03/2012 £000
Balance on 1 April	**8,968**	**16,728**
Unapplied Capital Grants received in year	19,159	7,366
Unapplied Capital Grants transferred to CAA in year	(7,215)	(15,126)
Balance on 31 March	**20,912**	**8,968**

Unusable Reserves

Unusable Reserves	31/03/2013 £000	31/03/2012 £000
Capital Adjustment Account	216,052	265,473
Revaluation Reserve	76,452	75,895
Pensions Reserve	(254,193)	(213,510)
Deferred Capital Receipts Reserve (England and Wales)	3,352	10
Collection Fund Adjustment Account	(129)	177
Accumulating Compensated Absences Adjustment Account	(1,933)	(3,699)
Total Unusable Reserves	**39,601**	**124,346**

Capital Adjustment Account

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

Capital Adjustment Account	31/03/13		31/03/12	
	£000	£000	£000	£000
Balance at 1 April		**265,473**		**281,100**
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	(10,331)		(22,336)	
Revaluation losses on Property, Plant and Equipment	(14,668)		(26,808)	
Revenue expenditure funded from capital under statute	(3,694)		(2,190)	
Minimum Lease Payments	227		259	
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	(61,254)		(14,124)	
		(89,720)		**(65,199)**
Adjusting amounts written out of the Revaluation Reserve		11,230		4,974
Net written out amount of the cost of non current assets consumed in the year		**(78,490)**		**(60,225)**
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	1,928		2,968	
Application of grants to capital financing from the Capital Grants Unapplied Account	7,215		15,126	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	13,194		18,962	
Statutory provision for the financing of capital investment charged against the General Fund balance	6,964		6,421	
Borrowing or liabilities met from the major repairs reserve	0		0	
Capital expenditure charged against the General Fund balance	500		389	
		29,801		**43,866**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(732)		732
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		0		0
Balance at 31 March		**216,052**		**265,473**

Revaluation Reserve

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

The balance is reduced when assets with accumulated gains are:

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

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

Revaluation Reserve	31/03/2013 £000	31/03/2012 £000
Balance at 1 April	**75,895**	**75,244**
Upward revaluation of assets	11,787	5,625
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**11,787**	**5,625**
Difference between fair value depreciation and historical cost depreciation	(4,924)	(4,256)
Revaluation balances on assets scraped or disposed of	(6,306)	(718)
Balance at 31 March	**76,452**	**75,895**

Pension Reserve

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

Pension Reserve	31/03/2013 £000	31/03/2012 £000
Balance at 1 April	**(213,510)**	**(177,011)**
Actuarial gains or losses on pensions assets and liabilities	(41,006)	(38,712)
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	323	2,213
Balance at 31 March	**(254,193)**	**(213,510)**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

Deferred Capital Receipts Reserve	31/03/2013 £000	31/03/2012 £000
Balance at 1 April	**10**	**22**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,350	0
Transfer to the Capital Receipts Reserve upon receipt of cash	(8)	(12)
Balance at 31 March	**3,352**	**10**

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.

Collection Fund Adjustment Account	31/03/2013 £000	31/03/2012 £000
Balance at 1 April	**177**	**1,392**
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	(306)	(1,215)
Balance at 31 March	**(129)**	**177**

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.

Accumulating Compensated Absences Adjustment Account	31/03/2013 £000	31/03/2012 £000
Balance at 1 April	**(3,699)**	**(4,652)**
Settlement or cancellation of accrual made at the end of the preceding year	3,699	4,652
Amounts accrued at the end of the current year	(1,933)	(3,699)
Balance at 31 March	**(1,933)**	**(3,699)**

26. Cash Flow from Operating Activities

Analysis of Adjustments to Surplus/Deficit on the Provision of Services	2012/13 £000	Restated 2011/12 £000
Net Surplus or (Deficit) on the Provision of Services	**(44,497)**	**(21,570)**
Adjustment to surplus or deficit on the provision of services for noncash movements		
Depreciation & Impairment	10,638	22,284
Impairment & downward valuations	14,668	26,808
Amortisation	99	52
Increase/(Decrease) in Impairment provision for bad debts	(7)	(155)
(Increase)/Decrease in Inventories	(107)	(68)
(Increase)/Decrease in Debtors	(1,111)	2,786
Increase/(Decrease) in Creditors	(5,314)	2,966
Amortised Premium	13	16
Increase/(Decrease) in Interest Creditors	(5)	(3)
Movement in pension liability	(323)	(2,213)
Carrying amount of non-current assets sold	60,848	14,124
Movement in provisions	75	82
Movement in value of investment properties	732	(732)
Adjust for Impairment reduction on cash equivalents	(98)	(100)
Sub Total	**80,108**	**65,847**
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
Proceeds from the sale of PP&E, investment property and intangible assets	(5,064)	(2,846)
Capital grants included in "Taxation & non-specific grant income"	(32,353)	(26,328)
Sub Total	**(37,417)**	**(29,174)**
Net Surplus/(Deficit) less Adjustments	**(1,806)**	**15,103**

	2012/13 £000	2011/12 £000
Interest Paid	(6,287)	(6,616)
Interest Received	165	214
	(6,122)	**(6,402)**

27. Cash Flow from Investing Activities

Cash Flow From Investing Activities	2012/13 £000	2011/12 £000
Purchase of PP&E, investment property and intangible assets	(26,073)	(56,437)
Purchase of Long Term Investments	0	(5)
Other Payments for Investing Activities	0	(10)
Proceeds from the sale of PP&E, investment property and intangible assets	2,845	2,734
Proceeds from Short Term Investments (not considered to be cash equivalents)	703	988
Capital Grants and Contributions Received	32,680	26,664
Net Cash flows from Investing Activities	**10,155**	**(26,066)**

28. Cash flows from Financing Activities

Cash flows from Financing Activities	2012/13 £000	2011/12 £000
Appropriation to/from Collection fund Adjustment Account	(306)	(1,215)
Cash payments for the reduction of the outstanding liability relating to a finance lease and on-Balance Sheet PFI contracts	(227)	(260)
Repayment of Short and Long Term Borrowing	(1,923)	(5,509)
Council Tax and NNDR Adjustments	(268)	11,485
Net Cash flows from Financing Activities	**(2,724)**	**4,501**

29. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Council and Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year
- expenditure on support services is budgeted for centrally and not charged to directorates.

The income and expenditure of the Council's directorates recorded in the budget reports for the year is as follows:

2012/13	People	Schools	Places	Policy	Central Budgets	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	21,896	5,655	38,686	4,606	7,081	**77,924**
Government grants	27,626	73,782	3,407	59,037	515	**164,367**
Total Income	**49,522**	**79,437**	**42,093**	**63,643**	**7,596**	**242,291**
Employee expenses	37,813	58,827	37,619	12,335	779	**147,373**
Other service expenses	74,290	20,610	41,517	63,808	23,966	**224,191**
Total Expenditure	**112,103**	**79,437**	**79,136**	**76,143**	**24,745**	**371,564**
Net Expenditure	**62,581**	**0**	**37,043**	**12,500**	**17,149**	**129,273**

2011/12	People	Schools	Places	Policy	Central Budgets	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	26,306	8,023	39,868	5,420	4,393	**84,010**
Government grants	24,035	96,447	505	57,708	1,090	**179,785**
Total Income	**50,341**	**104,470**	**40,373**	**63,128**	**5,483**	**263,795**
Employee expenses	40,019	76,191	33,114	16,017	2,890	**168,231**
Other service expenses	74,084	25,054	40,512	61,620	21,824	**223,094**
Total Expenditure	**114,103**	**101,245**	**73,626**	**77,637**	**24,714**	**391,325**
Net Expenditure	**63,762**	**(3,225)**	**33,253**	**14,509**	**19,231**	**127,530**

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2012/13	2011/12
	£000	£000
Net expenditure in the [Directorate] Analysis	129,273	127,530
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(77,707)	(100,116)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(7,069)	(5,844)
(Surplus) or Deficit on provision of services	**44,497**	**21,570**

This reconciliation shows how the figures in the analysis of directorate 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.

2012/13	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to manage-ment for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	77,924	-	(79)	-	(18,584)	-	-	**59,261**
Income from council tax	-	-	-	-	-	-	68,121	**68,121**
Government grants and contributions	164,367	-	32,353	-	-	-	62,217	**258,937**
Total Income	**242,291**	**0**	**32,274**	**0**	**(18,584)**	**0**	**130,338**	**386,319**
Employee expenses	147,373	-	-	-	-	(2,091)	-	**145,282**
Other service expenses	224,191	-	6	122	(18,584)	3,694	1,370	**210,799**
Depreciation, amortisation and impairment	-	-	25,729	(7,191)	-	-	-	**18,538**
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	8	**8**
Gain or Loss on Disposal of Fixed Assets	-	-	56,189	-	-	-	-	**56,189**
Total expenditure	**371,564**	**0**	**81,924**	**(7,069)**	**(18,584)**	**1,603**	**1,378**	**430,816**
Surplus or deficit on the provision of services	**129,273**	**0**	**49,650**	**(7,069)**	**0**	**1,603**	**(128,960)**	**44,497**

2011/12	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	84,010	-	2,213	-	-	-	-	**86,223**
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**
Depreciation, amortisation and impairment	-	-	49,144	-	-	-	-	**49,144**
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**

30. Acquired and Discontinued Operations

The Council did not acquire or discontinue any operations in 2012/13.

31. Trading Operations

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

Significant Trading Operations	2012/13 Expenditure £000	2012/13 Income £000	2012/13 Net Expenditure/ (Income) £000	2011/12 Expenditure £000	2011/12 Income £000	2011/12 Net Expenditure/ (Income) £000	2010/11 Net Expenditure/ (Income)
Fleet Management & Maintenance	4,902	(5,291)	**(389)**	4,867	(5,098)	**(231)**	**87**
Building Cleaning/ Maintenance	1,833	(1,729)	**104**	1,790	(1,708)	**82**	**122**
Catering	5,142	(5,384)	**(242)**	5,325	(5,462)	**(137)**	**245**
Markets	764	(531)	**233**	644	(600)	**44**	**216**
Digital Print Services	75	(121)	**(46)**	223	(141)	**82**	**98**
Building Control	464	(387)	**77**	515	(394)	**121**	**126**
Total	**13,180**	**(13,443)**	**(263)**	**13,364**	**(13,403)**	**(39)**	**894**

32. Agency Services

The council does not have any Agency services agreements.

33. Road Charging Schemes

The council does not have any road charging schemes.

34. Pooled Budgets

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.

Funding provided to the pooled budget:	2012/13 Learning Disability £000	2012/13 Mental Health £000	2011/12 Learning Disability £000	2011/12 Mental Health £000
The Council	4,379	2,417	4,502	2,452
The Trust	430	12,666	535	16,242
Contribution from prior year Reserve	0	0	4	0
	4,809	**15,083**	**5,041**	**18,694**
Expenditure met from the pooled budget:				
The Council	4,445	2,409	4,653	2,275
The Trust	385	12,694	388	16,799
	4,830	**15,103**	**5,041**	**19,074**
Net surplus/(deficit) arising on the pooled budget during the year	**(21)**	**(20)**	**0**	**(380)**

35. Members' Allowances

During the year Members' allowances paid totalled £593k (2011/12 £615k) and are as follows:

	2012/13 £000	2011/12 £000
Basic allowance	301	305
Mayor's & Deputy Mayor's Allowance	21	27
Dependents' carers allowance	0	1
Travel Costs	39	39
Subsistence	0	3
Special responsibility allowances	232	240
	593	**615**

36. Officer's Remuneration

Continuing Employees		Basic Salary £	Salary Supplement £	Benefit in Kind £	Expenses Allowances £	Compensation for Loss of Office £	Pension Contribution £	Total £
Chief Executive	**2012/13**	129,699	0	5,138	0	0	28,923	**163,760**
	2011/12	129,699	0	5,338	0	0	28,923	**163,960**
Director of People	**2012/13**	104,369	6,300	0	0	0	23,920	**134,589**
	2011/12	97,430	5,846	0	0	0	22,373	**125,649**
Director of Places	**2012/13**	89,625	0	9,383	0	0	19,986	**118,994**
	2011/12	84,000	0	9,007	0	0	18,732	**111,739**
Director of Policy and Resources	**2012/13**	89,750	2,246	3,667	0	0	20,014	**115,677**
	2011/12	85,500	1,123	4,003	0	0	19,067	**109,693**
Totals	**2012/13**	**413,443**	**8,546**	**18,188**	**0**	**0**	**92,843**	**533,020**
	2011/12	**396,629**	**6,969**	**18,348**	**0**	**0**	**89,095**	**511,041**

Resigned, Redundant, Redesignated or Retired Employees		Basic Salary £	Salary Supplement £	Benefit in Kind £	Expenses Allowance £	Compensation for Loss of Office £	Pension Contribution £	Total £
Director of Adult Social Services (left June 2012)	**2012/13**	26,895	0	1,388	0	48,386	5,998	**82,667**
	2011/12	87,000	0	4,273	0	0	19,401	**110,674**
Director of Neighbourhood Services (left February 2013)	**2012/13**	78,538	0	7,851	0	43,447	28,409	**158,245**
	2011/12	85,500	0	8,222	0	0	20,280	**114,002**
Director of Corporate & Community Services (left July 2012)	**2012/13**	25,968	0	3,001	0	47,523	5,791	**82,283**
	2011/12	82,500	0	9,367	0	0	18,398	**110,265**
Worksmart Programme Director	**2012/13**	0	0	0	0	0	0	**0**
	2011/12	23,295	1,193	0	0	44,215	113,565	**182,268**
Head of Strategy Development	**2012/13**	0	0	0	0	0	0	**0**
	2011/12	38,291	2,317	0	0	25,550	8,611	**74,769**
Head of Regeneration & Planning*	**2012/13**	Following a restructure of the council's Senior Management Team, this officer no longer meets the criteria that would require their details to be disclosed in this table. They are now included in the table below.						
	2011/12	57,924	0	3,740	0	0	12,917	**74,581**
Totals	**2012/13**	131,401	0	12,240	0	139,356	40,198	**323,195**
	2011/12	316,586	3,510	21,862	0	69,765	180,255	**591,978**

Grand Totals	**2012/13**	**544,844**	**8,546**	**30,428**	**0**	**139,356**	**133,041**	**856,215**
	2011/12	**713,215**	**10,479**	**40,210**	**0**	**69,765**	**269,350**	**1,103,019**

Senior Employees’ Remuneration

	Teachers	Other Staff	Terminated Employment	2012/13 Total	Teachers	Other Staff	Terminated Employment	2011/12 Total
£50,001 to £55,000	22	26	2	**50**	34	35		**69**
£55,001 to £60,000	18	16	2	**36**	28	10		**38**
£60,001 to £65,000	16	3	2	**21**	24	7		**31**
£65,001 to £70,000	5	3	3	**11**	7	2		**9**
£70,001 to£ 75,000	1	1		**2**	4	1	1	**6**
£75,001 to £80,000	4	2		**6**	2	1		**3**
£80,001 to £85,000	2			**2**	3			**3**
£85,001 to £90,000	1	1		**2**	2			**2**
£90,001 to £95,000				**0**				**0**
£95,001 to £100,000				**0**				**0**
£100,001 to £105,000				**0**				**0**
£105,001 to £110,000				**0**	1			**1**
	69	**52**	**9**	**130**	**105**	**56**	**1**	**162**

The above table does not include the Senior Officers listed individually on the preceding page. The reduction in the number of Teachers shown in the above table is due to 15 schools transferring to Academy status during 2012/2013. The Assistant Director of Planning and Regeneration is now included in this note as he no longer meets the criteria to be included in the Senior Officer Note.

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

	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	
Banding	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
£1 - £20,000	35	18	46	65	81	83	471	708
£20,001 - £40,000	3	3	4	17	7	20	177	590
£40,001 - £60,000	0	1	1	6	1	7	43	373
£60,001 - £80,000	0	0	3	1	3	1	200	77
£80,001 - £100,000	0	0	0	1	0	1	0	83
£100,001 -£150,000	0	0	0	1	0	1	0	101
£150,001 - £200,000	0	0	1	0	1	0	153	0
Total included in bandings	**38**	**22**	**55**	**91**	**93**	**113**	**1,044**	**1,932**
Add: Amounts provided for in CIES not included in bandings							29	317
Total cost included in CIES							**1,337**	**2,249**

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 council’s external auditors.

	2012/13 £000	2011/12 £000
External Audit Fees	143	211
Grant Claim Certification Fees	24	52
Other Fees	0	2
	167	**265**

38. Dedicated Schools Grant

This disclosure demonstrates that 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 DSG receivable in 2012/13 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2012/13 before Academy recoupment			114,348
Academy figure recouped for 2012/13			(29,290)
Total DSG after Academy recoupment for 2012/13			**85,058**
Brought forward from 2011/12			3,139
Carry forward to 2013/14 (agreed in advance)			(2,148)
Agreed initial budgeted distribution in 2012/13	**11,397**	**74,652**	**86,049**
In year adjustments	2,089	(2,217)	(128)
Final budgeted distribution in 2012/13	**13,486**	**72,435**	**85,921**
Actual central expenditure	11,856		
Actual ISB deployed to schools		72,750	
Local Authority contribution for 2012/13	0	0	**0**
Carry forward to 2013/14 (agreed in advance)	**1,630**	**(315)**	**1,315**

39. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13.

	Note	2012/13 £000	2011/12 Restated £000
Credited to Taxation and Non-Specific Grant Income			
Revenue Support Grant	11	(1,445)	(14,910)
Other non-ring-fenced grants	11	(11,382)	(11,310)
New Homes Bonus	11	(640)	(570)
Council Tax Reduction Grant	11	(1,673)	(1,657)
Capital Grants	11	(32,035)	(26,328)
Donations	11	(318)	0
Council Tax Income	11	(68,121)	(67,651)
Redistributed NNDR	11	(58,459)	(48,235)
Total		**(174,073)**	**(170,661)**
Credited to Services			
Dedicated Schools Grant	38	(82,782)	(105,653)
EFA- Pupil Premium		(2,743)	(1,723)
DCSF - Surestart Grant		0	(7,218)
DWP - Council Tax Benefits Subsidy		(13,391)	(13,115)
DWP - Rent Allowance Subsidy		(43,996)	(41,006)
Education Funding Agency - 16-18 Funding		(795)	(1,007)
Skills Funding Agency		(1,475)	(1,469)
Total		**(145,182)**	**(171,191)**

40. Related Party Transactions

Related Parties

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

Central Government

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

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2012/13 is shown in Note 35. During 2012/13, works and services to the value of £40k were commissioned from companies in which three members 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 £279k to voluntary organisations in which nineteen members had interests and £219k to charities in which eight 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. Three members are board members of North Lincolnshire Homes, see note 6 for more information.

Officers

Payments totalling £34k 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, the council paid grants and other payments totalling £17k to charities, £584k to voluntary organisations and £427k to not for profit 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 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 £7.0m.

Councillor/Officer	Organisation
Councillor Liz Redfern	Member of Humberside Airport
Councillor Liz Redfern	Member of Humber Bridge Board
Councillor John Briggs	Member of Humberside Fire Authority
Councillor Stephen Swift	Member of Humberside Fire Authority
Councillor John Paul Vickers	Member of Humberside Fire Authority
Councillor Rob Waltham	Member of Humberside Fire Authority
Councillor John England	Member of Humberside Police Authority
Councillor Liz Redfern	The L.E.P. Board
Councillor Rob Waltham	Nominated Governor of Northern Lincolnshire and Goole Hospitals NHS Foundation Trust
Councillor Liz Redfern	Member of North Lincolnshire Homes Enterprise Board
Councillor Carl Sherwood	Member of North Lincolnshire Homes Board
Councillor Rob Waltham	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 (until 30 June 2012)
Councillor Trevor Foster	Member of the Safer Neighbourhood Strategy Board
Councillor Carl Sherwood	Member of the Safer Neighbourhood Strategy Board
Simon Driver (Chief Executive)	Director Correct Compliance Ltd
Simon Driver (Chief Executive)	Corporation Board Member of John Leggott College
Mike Wedgewood	Director Engage North Lincolnshire
Jenny Couch	Corporation Board Member of John Leggott College
Marcus Walker	Board Member Humber Chemical Focus
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, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

Capital Expenditure and Capital Financing	2012/13 £000	2011/12 £000
Opening Capital Financing Requirement	**156,765**	**141,961**
Adjustments to Opening Balance	1,041	1,495
Property, Plant and Equipment	25,197	54,975
Donated Investment Property	318	0
Investment Properties	140	100
Intangible Assets	37	169
Heritage Assets	0	0
Revenue Expenditure Funded from Capital under Statute	3,694	2,190
	30,427	**58,929**
Sources of finance		
Capital receipts	(1,928)	(2,968)
Government grants and other contributions	(20,091)	(34,088)
Donated Investment Property	(318)	0
Other Contributions	0	0
Sums set aside from revenue:		
Direct revenue contributions:		
General	(500)	(389)
Developers Contributions S106		
[MRP/loans fund principal]	(7,191)	(6,680)
	(30,028)	**(44,125)**
Closing Capital Finance Requirement	**157,164**	**156,765**
Explanation of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)	0	0
Increase in underlying need to borrowing (unsupported by government financial assistance)	399	14,804
Increase/(decrease) in Capital Financing Requirement	**399**	**14,804**

42. Leases

Asset values (included as Vehicles, Plant & Equipment in Note 12)

	2012/13 Vehicles £000	2011/12 Vehicles £000
Cost or Valuation		
Opening Balance	2,067	2,067
Additions	0	0
Disposals	(1,344)	0
	723	**2,067**
Depreciation		
Opening Balance	1,294	953
Disposals	(1,317)	0
Provided for year	258	341
	235	**1,294**
Net Book Value		
Balance as at 31 March 2013	**488**	**773**
Balance as at 31 March 2012	**773**	**1,114**

	Within 1 year £000	1 to 5 years £000	After 5 years £000	Total £000
31/03/13				
Finance leases payments	148	189	0	**337**
Less: finance charges	(18)	(25)	0	**(43)**
Net present value	**130**	**164**	**0**	**294**
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**

	31/03/13 £000	31/03/12 £000	31/03/11 £000
Current liabilities	130	209	256
Long term liabilities	164	312	525
	294	**521**	**781**

Operating Leases

The Council has acquired a number of 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:

	2012/13 Land and buildings £000	2012/13 Vehicles, plant and equipment £000	2011/12 Land and buildings £000	2011/12 Vehicles, plant and equipment £000
Minimum lease payments	0	243	0	257
Contingent rentals	0	0	0	0
Less: Sublease payments receivable	0	0	0	(17)
	0	**243**	**0**	**240**

No sub-lease payments or contingent rent payments were made or received. No sublease income is expected as all assets held under operating lease agreements are used exclusively by the Council, the sub leasing arrangement with Humberside Airport under which income was received in 2011/12 has now ceased.

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

	2012/13		2011/12	
	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	389	0	324
Later than 1 year and no later than 5 years	0	200	0	410
Later than 5 years	0	189	0	0
	0	**778**	**0**	**734**

The Council as Lessor

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

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

The lease contracts are all non-cancellable and do not include an extension option. Future minimum lease income is set out below:

	2012/13 £000	2011/12 £000
Minimum lease rentals receivable:		
No later than 1 year	47	3
Later than 1 year and no later than 5 years	813	458
Later than 5 years	109,446	111,632
	110,306	**112,093**

43. Private Finance Initiatives and Similar Contracts

The Council does not have any Private Finance Initiatives or similar contracts.

44. Impairment Losses

Only two assets have been impaired during 2012-13:

- Quibell Park was impaired by £337k due to a fire which caused extensive damage
- The Cremators at Woodlands Crematorium were impaired by £104k as they were replaced.

45. Capitalisation of borrowing costs

The Council does not capitalise any borrowing costs.

46. Termination Benefits

The Council terminated the contracts of a number of employees in 2012/13, incurring liabilities of £2.2m (£1.3m in 2011/12) – see Note 36 for the number of exit packages and total cost per band.

Of the above total £139k was payable, in the form of compensation of loss of office, to the three Directors who left the council in 2012/13 following a major restructuring of the Senior Management Team. Additionally £11k was paid to the Pension Fund to enhance the pension benefits of one of those Directors.

47. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council 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 Council 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 Council 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 2012/13, the council paid £4.5m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2011/12 were £6.09m and 14.1%. There were no contributions remaining payable at the year-end.

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

48. Defined Benefit Pension Schemes

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.

Retirement Benefits

Transactions relating to retirement benefits- CIES Charges:

	2012/13 £000	2011/12 £000
Net cost of services:		
Current service cost	14,059	14,637
Past service cost/(gain)	1,018	190
Gains and losses on settlements or curtailments	(4,042)	(2,540)
Net operating expenditure:		
Interest cost	27,621	29,027
Expected return on scheme assets	(21,201)	(24,758)
Net charge to the CIES	**17,455**	**16,556**
Adjustments between accounting basis & funding basis under regulations:		
Reversal of net charges made for retirement benefits in accordance with IAS 19	**(17,455)**	**(16,556)**
Actual amount charged against the general fund balance for pensions in the year:		
Employers' contributions payable to scheme	**17,778**	**18,769**
Net charge to the General Fund Summary	**323**	**2,213**

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	2012/13 £000	2011/12 £000
Balance as at 1 April	574,589	529,472
Current service cost	14,059	14,637
Interest cost	27,621	29,027
Contributions by members	4,317	4,610
Actuarial losses/(gains)	71,778	20,140
Past service costs/(gains)	134	190
Losses/(gains) on curtailments	648	490
Liabilities assumed in a business combination	10,625	0
Liabilities extinguished on settlements	(7,671)	(5,137)
Estimated unfunded benefits paid	(2,000)	(1,944)
Estimated benefits paid	(17,374)	(16,896)
Balance as at 31 March	**676,726**	**574,589**

Reconciliation of present value of the scheme assets:

	2012/13 £000	2011/12 £000
Balance as at 1 April	361,079	352,461
Expected return on assets	21,201	24,758
Contributions by members	4,317	4,610
Contributions by employer	15,778	16,825
Contributions in respect of unfunded benefits	2,000	1,944
Actuarial gains/(losses)	30,772	(18,572)
Liabilities assumed in a business combination	9,742	0
Assets distributed on settlements	(2,982)	(2,107)
Unfunded benefits paid	(2,000)	(1,944)
Benefits paid	(17,374)	(16,896)
Balance as at 31 March	**422,533**	**361,079**

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.

Fair Value of Plan Assets

-	31/03/2013 £000	31/03/2012 £000	31/03/2011 £000
Equity investments	316,900	285,252	274,920
Bonds	42,253	32,497	35,246
Property	33,803	21,665	17,623
Cash	29,577	21,665	24,672
	422,533	**361,079**	**352,461**

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):

-	31/03/2013 £000	31/03/2012 £000	31/03/2011 £000
Fair Value of Employer Assets	422,533	361,079	352,461
Present value of funded liabilities	(645,531)	(544,200)	(500,436)
Net (Under)/Overfunding in Funded Plans	**(222,998)**	**(183,121)**	**(147,975)**
Present Value of Unfunded Liabilities	(31,195)	(30,389)	(29,036)
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)	**(254,193)**	**(213,510)**	**(177,011)**
Amount in the Balance sheet:			
Liabilities	(254,193)	(213,510)	(177,011)
Assets	0	0	0
Net Asset/(Liability)	**(254,193)**	**(213,510)**	**(177,011)**

Scheme history Analysis of scheme assets and liabilities

	31/03/2013 £000	31/03/2012 £000	31/03/2011 £000	31/03/2010 £000	31/03/2009 £000
Fair Value of Assets in pension scheme	422,533	361,079	352,461	328,490	226,563
Present Value of Defined Benefit Obligation	(676,726)	(574,589)	(529,472)	(651,407)	(387,982)
Surplus/(deficit) in the Scheme	**(254,193)**	**(213,510)**	**(177,011)**	**(322,917)**	**(161,419)**

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £254m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net worth of £96.7m.

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

	31/03/2014 £000	31/03/2014 %
Projected current cost	17,247	26
Interest on obligation	30,498	45
Expected return on assets	(19,055)	(28)
Past service cost	0	0
Gains and losses on settlements or curtailments	0	0
	28,690	**42**

The total contributions expected to be made to the East Riding Pension Fund by the council in the year to 31 March 2014 is £15,064,000

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013.

	31/03/2013 %	31/03/2012 %	31/03/2011 %	31/03/2010 %	31/03/2009 %
Experience (gains and (losses) on Assets	7.3	(5.1)	(2.4)	23.0	(40.8)
Experience gains and (losses) on liabilities	10.6	3.5	(19.1)	36.0	(9.9)

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 2013

	2012/13	2011/12
Long-term expected rate of return on assets in the scheme:		
Equity investments	4.5%	6.3%
Bonds	4.5%	3.6%
Property	4.5%	4.4%
Cash	4.5%	3.5%
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	2.8%	2.5%
Salary Increase Rate	5.1%	4.8%
Expected Return on Assets	4.5%	5.8%
Discount Rate	4.5%	4.8%
Take-up of option to convert annual pension into retirement lump sum:		
Service to April 2008	30%	50%
Service post April 2008	65%	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:

	31/03/13 %	31/03/12 %	31/03/11 %
Equity investments	75.0	79.0	78.0
Bonds	10.0	9.0	10.0
Property	8.0	6.0	5.0
Cash	7.0	6.0	7.0
	100.0	**100.0**	**100.0**

Sensitivity Analysis

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

Change in assumptions at 31 March 2013	Approximate % change to Employer Liability	Approximate monetary amount £000's
0.5 % decrease in Real Discount Rate	10.0	66,561
1 year change in member life expectancy	3.0	20,302
0.5% change in Salary Increase rate	3.0	18,253
0.5% change in the Pension Increase Rate	7.0	47,426

49. Contingent Liabilities

Municipal Mutual Insurance

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 result of this ruling was that MMI stopped forecasting a solvent run-off. This then meant the Scheme of Arrangement was triggered under which each Local Authority that had exposure to MMI became liable to pay a levy to cover the forecast shortfall. This levy is estimated to be between 15% and 28% of the liabilities covered by the scheme less £50k for each scheme creditor. An amount equivalent to a 15% levy has already been recognised in the accounts as a provision. As there is the potential for the levy to be up to 28% the council has a contingent liability equivalent to the additional 13%. This is estimated to be a further £300k.

50. Contingent Assets

The council has no contingent assets. The capital receipt sharing agreement with North Lincolnshire Homes has now been terminated. See note 54.

51. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit risk

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

This risk is minimised through the Annual Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Standard & Poors, 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 Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2013 that this was likely to crystallise.

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 prevented early withdrawal of the 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 75% of the Heritable and 50% of the Landsbanki investments 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 £0.65m (£0.75m 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 2012/13 accounts. This is consistent with the treatment in previous years as the value of the interest is immaterial.

Liquidity Risk

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

Maturity structure of borrowing	Upper Limit	Lower Limit
Under 12 months	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 Council faces a risk in terms of its exposure to interest rate movements on its investments and to a lesser extent borrowings. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense 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 Council's strategy for managing interest rate risk is to predominantly borrow at fixed interest rates.

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

If interest rate had been 1% higher during 2012/13 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 Council does not generally invest in equity shares but does have shareholdings in Humberside Airport International Limited and in Engage Limited, the Local Education Partnership. The Council is consequently exposed to losses arising from movements in the prices of the shares. The Airport shares are carried at a value after impairment of zero.

52. Monies held on behalf of others

As at 31st March 2013 the Council held £0.2m on behalf of other parties. These are usually vulnerable people who are unable to manage their own financial affairs but also include the Yorkshire and Humber Grid for Learning (Y&HGL) and the Adoption Consortium. The breakdown of these monies is shown below:

Name	2012/13 £'000	2011/12 £'000
Local Safeguarding Children Board	(73)	(95)
Minimum Support Homes Renovation	(82)	(75)
Adoption Consortium	(48)	(54)
CICA Holding Account	(44)	(44)
Y&H Grid for Learning	0	(19)
Receiverships	0	(10)
CIC Council Project	0	(5)
	(247)	**(302)**

53. Prior Period Adjustments

No prior period adjustments have been made within the accounts.

Collection Fund

This account reflects the statutory requirements for all Billing Authorities, such as the Council, to maintain a separate Collection Fund Account. This shows the transactions of the Billing Authority in relation to Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors (Humberside Fire and Rescue Service and Humberside Police Authority) and the General Fund.

Collection Fund	Notes	2012/13 £000	2011/12 £000
Amounts required by Statute to be credited to the Collection Fund			
Council Tax Income	**4**	(68,240)	(67,760)
Transfers from General Fund:			
Council Tax Benefit	**4**	(13,281)	(12,962)
Transitional Relief	**4**	0	0
Discounts for Prompt Payment		0	0
Income collectable from Business Ratepayers	**5**	(79,192)	(75,409)
Contributions:			
Towards Previous year's collection fund deficit		0	0
Total amounts to be credited		**(160,713)**	**(156,131)**
Amounts required by Statute to be debited to the Collection Fund			
Precepts and demands	**6**	81,372	80,244
Business Rate:			
Payment to National Pool	**5**	78,945	75,159
Cost of Collection	**5**	247	250
Impairment of Debts/Appeals:			
Write-offs of uncollectable amounts	**4**	143	105
Allowance for impairment	**4**	217	355
Contributions:			
Towards previous year's estimated Collection Fund surplus	**4**	155	1,460
Total amounts to be debited		**161,079**	**157,573**
Opening Fund Balance		**(210)**	**(1,652)**
Closing Fund Balance		**156**	**(210)**
Movement on Fund Balance		**366**	**1,442**

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

Most domestic Dwellings (including flats) whether rented or owned, occupied or not, are subject to Council Tax. Each Dwelling is allocated to one of eight bands according to their open market capital value at 1 April 1991.

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	29,769	6/9	19,845.8	1,041
B	13,122	7/9	10,206.2	1,215
C	9,934	8/9	8,829.8	1,389
D	6,591	9/9	6,623.8	1,562
E	3,229	11/9	3,946.2	1,909
F	1,285	13/9	1,856.8	2,257
G	426	15/9	710.1	2,604
H	11	18/9	21.3	3,124
			52,040.0	
	*	Adjustment	47.2	
		Council Tax Base	52,087.2	

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	81,372,384
(ii)	Number of Band D equivalent Dwellings	52,087
	Band D ((i) divided by (ii))	1,562

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

	2012/13 £000	2011/12 £000
Net Amount	(68,240)	(67,760)
Benefits	(13,281)	(12,962)
Use of Provision for Doubtful Debts	360	460
Council Tax Surplus	155	1,460
Balance carried forward	(366)	(1,442)
Council Tax Requirement	**(81,372)**	**(80,244)**

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 2012/13 the amount was 45.8p (43.3p in 2011/12) and 45.00p for small businesses (42.6p in 2011/12).

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 at 31st March 2013 was £213.06m (31st March 2012 – £211.10m).

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:

2011/12 £000	National Non-Domestic Rates (NDR / NNDR)	2012/13 £000
88,838	Gross Amount Due	93,494
(5,782)	Charity, Etc. Relief	(6,897)
(5,358)	Transitional Relief	(4,554)
(2,548)	Empty and Part Occupation Relief	(2,906)
300	Bad Debts, provision and write offs	67
(41)	Interest on Overpayments	(12)
75,409	**Net Amount Collectable**	**79,192**
(251)	Cost of Collection Allowance Payable to General Fund	(247)
75,159	**Amount Payable to NNDR Pool**	**78,945**

6. Precepts and Demands

The following amounts were paid from the fund:

	2012/13 £000	2011/12 £000
North Lincolnshire Council	68,296	67,636
Humberside Police Authority	9,017	8,588
Humberside Fire Authority	4,059	4,020
Total	**81,372**	**80,244**

Glossary of Financial Terms

Financial Abbreviations and roundings

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

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

Glossary

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