Report of the Director of Policy & Resources

Agenda Item No: 10
Meeting: 2 September 2014

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

AUDIT OF ACCOUNTS 2013/14
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 27 June 2014. This met the statutory requirement that they be approved by 30 June 2014.

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 2014.

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 statutory requirements.

2.3 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.

2.4 The report from the council's Auditors KPMG is attached. It sets out the matters arising from the audit of the council's 2013/14 accounts. I am in agreement with its findings. Staff from KPMG will present the report to Committee. A copy of the amended accounts is included with this report.

2.5 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.
- some minor adjustments to the accounts were required.

2.6 The main issue resulting from the audit was as follows:-

- The analysis of the council's provisions between short term provisions, due within one year and long term was not adequately evidenced.

2.7 Changes will be made to the Council's closure of accounts process for 2014/15 to ensure this issue is not repeated.

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

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

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 2014. 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 2013/14, 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 Chair of the Audit Committee and the Director of Policy and Resources.

DIRECTOR OF POLICY AND RESOURCES

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Date: 02/09/14

Background Papers used in the preparation of this report

KPMG

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Report to those charged with governance (ISA 260) 2013/14

North Lincolnshire Council

September 2014

Contents

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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 John Prentice 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 0303 4448 320.

Section one

Introduction

This document summarises:

- **the key issues identified during our audit of the financial statements for the year ended 31 March 2014 for the Council; and**
- **our assessment of the Council's arrangements to secure value for money.**

Scope of this report

This report summarises the key findings arising from:

- our audit work at North Lincolnshire Council ('the Council') in relation to the Council's 2013/14 financial statements; and
- the work to support our 2013/14 conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2013/14*, presented to you in March 2014, set out the four stages of our financial statements audit process.

This report focuses on third and fourth stages of the process: substantive procedures and completion. Our on site work for the substantive procedures stage took place during July and August 2014.

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are discharged through this report.

VFM conclusion

Our *External Audit Plan 2013/14* explained our risk-based approach to VFM work, which follows guidance provided by the Audit Commission. We have now completed our work to support our 2013/14 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion; and
- considering the results of any relevant work by the Council and other inspectorates and review agencies in relation to these risk areas.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2013/14 financial statements.
- Section 4 outlines our key findings from our work on the VFM conclusion.

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. Sections three and four of this report provide further details on each area.

Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Council's financial statements by 30 September 2014. 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 which impact on the Council's overall financial position. We identified a small number of minor presentational adjustments. These have all been amended by the Council.
Key financial statements audit risks	We review risks to the financial statements on an ongoing basis. We identified the triennial pension revaluation as a specific risk area for 2013/14 during the course of the audit. Our audit testing, to address this audit risk, did not identify any issues.
Accounts production and audit process	The accounts and supporting working papers were of high quality. Officers dealt with audit queries efficiently and the audit process has been completed within the planned timescales. The Council has implemented all of the recommendations in our *ISA 260 Report 2012/13* relating to the financial statements. We have identified one area for improvement relating to provisions and we have made one recommendation that a full assessment should be made of the probable timing of the provisions falling due between less than 12 months and more than 12 months of the Balance Sheet date. Appendix 2 refers.
Control environment	The Council's organisational control environment is effective overall, and we have not identified any significant weaknesses in controls over key financial systems.
Completion	At the date of this report our audit of the financial statements is substantially complete, subject to: ▪ Receipt of approved financial statements; and ▪ Receipt of a signed management representations 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 and risk areas	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 2014.

Proposed opinion and audit differences

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

We anticipate issuing an unqualified audit opinion in relation to the Council's financial statements by 30 September 2014.

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

Proposed audit opinion

We anticipate issuing an unqualified audit opinion on the Council's financial statements following approval of the Statement of Accounts by the Audit Committee on 23 September 2014.

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. We identified a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2013/14 ('the Code')*. The accounts have been amended for all these items as required.

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.

Key financial statements audit risks and areas of audit focus

We have worked with officers throughout the year to discuss specific risk areas. The Council addressed the issues appropriately.

The table below sets out our detailed findings for each of the risks that are specific to the Council.

Additionally, we considered the risk of management override of controls, which is a standard risk for all organisations.

Our controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual, did not identify any issues.

Key Audit Risk	Issue	Findings
Pension valuation	During the year, the local government pension scheme has undergone a triennial valuation with an effective date of 31 March 2013. The IAS 19 numbers to be included in the financial statements of all admitted bodies for 2013/14 will be based on the output of the triennial valuation for the first time. The valuation is rolled forward to 31 March 2014, 31 March 2015 and 31 March 2016 for accounting purposes. As data provided to the actuaries for the triennial valuation (mostly by the pension fund) is more extensive than for the roll forward, there is a risk around the accuracy of the estimate for pensions liabilities.	We have agreed the data provided to the actuary back to the Council's systems from which they were derived and found no issues. We have reviewed the assumptions provided by Hymans Robertson and these are in-line with our expectations.

We have noted an improvement in the quality of the accounts and the supporting working papers.

Officers dealt with audit queries efficiently enabling the audit process to be completed within the planned timescales.

The Council has implemented all of the recommendations in our *ISA 260 Report for 2012/13.*

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
Accounting practices and financial reporting	The Council continues to maintain a strong financial reporting process and produce statements of accounts to a good standard. This is in the context of having less resource, so represents good performance. We have identified one area for improvement for future closedown processes, specifically that an assessment is made of the probable timing of provisions falling due between current and non-current liabilities. (see recommendation 1 at Appendix 2).
Completeness of draft accounts	We received a complete set of draft accounts on 25 June 2014. The Council has made a small number of presentational changes as a result of our audit however there have been no changes which we consider to be fundamental. Management have produced a report for the Audit Committee explaining these changes to the draft statements.
Quality of supporting working papers	Our Accounts Audit Protocol, which we issued in February 2014 and discussed with officers, set out our working paper requirements for the audit. The quality of working papers provided was good and met the standards specified in our Accounts Audit Protocol.
Response to audit queries	Officers resolved all audit queries in a timely manner.

Prior year recommendations

As part of our audit we have followed up the Council's progress in addressing the recommendations in last year's ISA 260 report.

The Council has implemented the one recommendation in our *ISA 260 Report 2012/13*.

We recommended that the Council ensure that the Directorates take ownership of the completeness of working papers and accuracy of the supporting evidence especially where specific judgements are made, and then Corporate Finance carry out an objective review of the judgements to ensure that they are in line with the Code. We have not identified any issues this year.

Organisational control environment and controls over key financial systems

The Council's organisational control environment is effective overall.

The controls over all of the key financial systems are sound.

Organisational control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit.

We obtain an understanding of the Council's overall control environment and determine if appropriate controls have been implemented. We do not complete detailed testing of these controls.

We consider that your organisational controls are effective overall.

Controls over key financial systems

We review the outcome of internal audit's work on the financial systems to influence our assessment of the overall control environment, which is a key factor when determining the external audit strategy.

Where we have determined that this is the most efficient audit approach to take, we test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Our assessment of a system will not always be in line with your internal auditors' opinion on that system. This is because we are solely interested in whether our audit risks are mitigated through effective controls, i.e. whether the system is likely to produce materially reliable figures for inclusion in the financial statements.

Based on the work of your internal auditors and our own testing, the controls over all of the key financial systems are sound.

Aspect	Assessment
Organisational controls:	
Management's philosophy and operating style	3
Culture of honesty and ethical behaviour	3
Oversight by those charged with governance	3
Risk assessment process	3
Communications	3
Monitoring of controls	3

Key:
1 Significant gaps in the control environment.
2 Deficiencies in respect of individual controls.
3 Generally sound control environment.

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 representations 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 the Council for the year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and the 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 2 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 officers for presentation to the Audit Committee. 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 judgement, 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 transactions, 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 2013/14 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 performed a risk assessment earlier in the year and have reviewed this throughout the year.

In line with the risk-based approach set out below, and in our *External Audit Plan* we have:

- assessed the Council's key business risks which are relevant to our VFM conclusion;
- identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit;
- considered the results of relevant work by the Council, inspectorates and review agencies in relation to these risk areas.

Key findings

We did not identify any specific risks relating to the VFM conclusion requiring further, risk-based work to be carried out.

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	✓

Audit differences

This appendix sets out the significant audit differences.

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Corrected audit differences

We have identified no audit differences which impacted on the Council's overall financial position.

We identified a small number of presentational changes to the financial statements, which the Council has made amendments to correct.

Un-corrected audit differences

We have identified no un-corrected audit differences which impacted on the face of the financial statements.

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 our recommendations.

We will formally follow up this recommendation 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	❸	**Classification of Provisions** The Council has split the total Provisions in the Balance Sheet falling due with 12 months and more than 12 months, however the evidence supporting this split was not complete. Whilst we can confirm there is no risk of material misstatement as a result of this, and we are satisfied that the overall provisions figure is correct, we require further evidence to support the split. **Recommendation** During the 2014/15 closedown ensure that a procedure is put in place to carry out a full assessment of the probable timing of the provisions falling due between less than 12 months and more than 12 months of the Balance Sheet date.	Changes will be made to the Accounts closure process to ensure the analysis between long and short term provisions is appropriately evidenced. Corporate Finance Manager by June 2015.

Declaration of independence and objectivity

The *Code of Audit Practice* requires us to exercise our professional judgement and act independently of both the Audit 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 this. 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 Engagement Lead 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.

Declaration of independence and objectivity (cont.)

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 the Council for the financial year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and the 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.

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NORTH
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COUNCIL

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23rd September 2014

Dear Sirs,

Audit of Accounts 2013/14 – Management representations letter

This representations letter is provided in connection with your audit of the financial statements of North Lincolnshire Council ("the Authority") for the year ended 31 March 2014, for the purpose of expressing an opinion:

- as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the Authority's expenditure and income for the year then ended; and
- whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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

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

The Authority 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

- The Authority 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 Authority as at 31 March 2014 and of the Authority's expenditure and income for the year then ended;

    - have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14; and

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

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

- All events subsequent to the date of the financial statements and for which IAS 10 Events after the reporting period requires adjustment or disclosure have been adjusted or disclosed.

- The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Information provided

- The Authority 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 Authority for the purpose of the audit; and
    - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

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

- The Authority confirms the following:

    - The Authority 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.

    - The Authority has disclosed to you all information in relation to:

        - Fraud or suspected fraud that it is aware of and that affects the Authority 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
        - allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators

or others.

In respect of the above, the Authority 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 Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

- The Authority 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.

- The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

- The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

- On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) Employee Benefits.

  The Authority further confirms that:

  - 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;
    - funded or unfunded; and
    - approved or unapproved;

    have been identified and properly accounted for; and

  - all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit Committee on 23rd September 2014.

Yours faithfully

Councillor William Eckhardt - Chair of the Audit Committee

Mike Wedgewood - Director of Policy and Resources

Appendix to the Representations Letter of North Lincolnshire Council: Definitions

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period
- A Balance Sheet as at the end of the period
- A Movement in Reserves Statement for the period
- A Cash Flow Statement for the period
- Notes, comprising a summary of significant accounting policies and other explanatory information.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.
An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

> "Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor."

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- was available when financial statements for those periods were authorised for issue; and
- could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

- A person or a close member of that person's family is related to a reporting entity if that person:
    - has control or joint control over the reporting entity;
    - has significant influence over the reporting entity; or
    - is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- An entity is related to a reporting entity if any of the following conditions applies:
    - The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
    - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
    - Both entities are joint ventures of the same third party.
    - One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
    - The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
    - The entity is controlled, or jointly controlled by a person identified in (a).
    - A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a government that has control, joint control or significant influence over the reporting entity; and
- another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

North Lincolnshire Council Statement of Accounts

Financial Year 2013/14

12th August 2014

Post Audit Version 1.0

Index

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Foreword

These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (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 2013/14 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 £0.069m deficit 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	3,164	10,022
Movement	0	(69)	(69)
Closing balance	6,858	3,095	9,953

Additionally £6.4m was set aside in earmarked reserves.

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 £38.5m surplus (£73.7m deficit in 12/13). 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 is 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 increased by £38.5m. Most of this increase comes from a decrease in the council's liability to the Pension scheme of £52.7m.

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 2013/14

This part of the foreword compares actual spending in the financial year 2013/14 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 within a statutory framework ensuring that it remains within cash limits:

- The day to day cost of providing services is paid for from government grants, business rates, council tax and service charges and is classified as revenue spending.
- The capital programme relates to Investment in long term assets such as roads and buildings, paid for through borrowing, external funding and receipts from the sale of Council assets

The council also has reserves or balances and a strategy for setting the appropriate level and as to when they will be used. These include

- General reserves to meet unforeseen pressures
- Earmarked reserves for specific purposes
- Schools reserves under local management arrangements

Revenue Outturn

The revenue outturn expenditure position is shown by Directorate in the table below.

The net directorate expenditure including committed carry forwards of £736k is £136.4m, a saving of £486k or 0.4% against budget.

Other elements of the budget are shown separately which when combined with directorate spending give a total cost picture of £147.9m. These elements show an additional saving of £435k or 3.6% against budget. They include:

- Savings on capital financing costs of £180k, which were achieved primarily from reduced leasing costs and additional interest from investments
- The contingency fund, which had an unapplied balance of £519k due to careful management of staff reductions and alternative funding being made available to cover flooding issues
- The Property Trading Account (PTA), which fell short of its income target from commercial property and incurred a deficit in year of £292k
- Schools spending funded from Dedicated Schools Grant, where schools and centrally managed services plan to carry £4.37m forward in reserves.

This means that the combined saving on non-schools spending of £0.921m delivers the planned addition to revenue support account of £0.5m for the 2014/18 plan approved in February and means that the £0.358m call on general balances in the same plan will not now be needed.

The call on earmarked reserves and grants in 2013/14 was also lower than expected. This included £3.1m in People Directorate, predominantly section 256 funding, to carry forward to meet future commitments. There was also a significant underspend on the ring-fenced Public Health grant of £1.5m. This can be carried forward and is fully committed to be spent on public health initiatives. There was also a reduced call on the Revenue Support Account reserve. This means that the reserve is now forecast not to be fully utilised by 2017-18, as was previously estimated, but to now have a balance of £0.76m.

A number of additional grants were received in year which are to be applied in 2014/15. These include flood related grants and better care funding.

The council also benefited from an increase in general funding support of £273k in year due to a refund of Revenue Support Grant, and slightly more Education Support Grant and NNDR income than forecast.

	Budget £000's	Actual £000's	Variance £000's	%
PEOPLE SERVICES				
Education	5,982	5,980	-2	-0.03%
Prevention & Commissioning	7,317	7,256	-61	-0.83%
Children's Services	15,910	15,496	-414	-2.60%
Adult Services	28,761	28,546	-215	-0.75%
Pooled Budgets	8,347	8,494	147	1.76%
Proposed Carry Forward Commitments from 2013-14	0	70	70	0.00%
Total People services	66,317	65,842	-475	-0.72%
POLICY & RESOURCES				
Human Resources	1,879	1,819	-60	-3.19%
Legal Services	3,329	3,233	-96	-2.88%
Financial Services	3,236	3,138	-98	-3.03%
Business Support	4,507	4,409	-98	-2.17%
Proposed Carry Forward Commitments from 2013-14	0	156	156	0.00%
Total Policy & Resources	12,951	12,755	-196	-1.51%
PLACES				
Customer Services	6,260	6,501	241	3.85%
Community Services	25,337	25,294	-43	-0.17%
Technical and Environmental Services	4,579	4,311	-268	-5.85%
Planning & Regeneration	5,944	5,583	-361	-6.07%
Special Projects (BSF & Waste)	878	889	11	1.25%
Proposed Carry Forward Commitments from 2013-14	0	510	510	0.00%
Total Places	42,998	43,088	90	0.21%
CENTRAL BUDGETS				
Corporate Budgets	14,580	14,675	95	0.65%
Net Directorate Expenditure	136,846	136,360	-486	-0.36%
Other items				
Non-School				
Property Trading Account	-2,563	-2,271	292	-11.39%
Scunthorpe Special Expenses	598	570	-28	-4.68%
Capital Financing	13,412	13,232	-180	-1.34%
Contingency Reserve	519	0	-519	0.00%
Total Other Non-Schools	11,966	11,531	-435	-3.64%
Total Non-Schools Expenditure	148,812	147,891	-921	-0.62%
Schools				
Schools Block -ISB	56,428	53,333	-3,095	-5.48%
Schools - Central	19,975	18,701	-1,274	-6.38%
Dedicated Schools Grant & Other Grants	-76,403	-76,403	0	0.00%
Total Schools	0	-4,369	-4,369	0.00%
Total Cost	148,812	143,522	-5,290	-3.55%
Use Of Reserves				
Non-Schools				
Revenue Support & Earmarked Reserve Accounts	-1,382	76	1,458	
Property Trading Account Reserve	0	-292	-292	
Scunthorpe Special Expenses Reserve	0	28	28	
Carry Forward from 2012-13	-2,240	-2,240	0	
Total Non-Schools Reserves	-3,622	-2,428	1,194	
Schools				
Schools Block -ISB	0	3,095	3,095	
Schools - Central	0	1,274	1,274	
Total School Reserves	0	4,369	4,369	
Total Use of Reserves	-3,622	1,941	5,563	
Total	145,190	145,463	273	
Funds				
Revenue Support Grant	-43,558	-43,787	-229	
Council Tax	-56,846	-56,846	0	
New Homes Bonus Grant	-2,014	-2,014	0	
NNDR Retention Scheme	-39,741	-39,763	-22	
Council Tax Support Scheme	-267	-267	0	
Education Services Grant	-1,986	-2,008	-22	
Sparse Areas Grant	-31	-31	0	
Lead Local Flood Authority Grant	-75	-75	0	
Council Tax Freeze Grant	-672	-672	0	
Total Fund	-145,190	-145,463	-273	
Net Balance	0	0	0	

Capital

The Council capital investment programme for 2013-14 was approved at £56.36m. Spending in 2013-14 was £48.37m which represents a budget underspend in year of £7.99m and the current 2014/15 capital programme will be revised to reflect this. The table below provides details of spend by directorate and an analysis of funding.

Planned programme	Budget 2013/14 £000's	Actual 2013/14 £000's	Difference 2013/14 £000's	%	Rephasing £000's
People Services	30,326	28,162	(2,164)	-7%	(2,110)
Policy & Resources	500	401	(99)	-20%	(100)
Places	25,535	19,807	(5,728)	-22%	(6,252)
Total	56,361	48,370	(7,991)	-14%	(8,462)
Funding Analysis					
Grant Funding	35,924	32,768	(3,156)	-9%	(3,397)
External Funding	512	221	(291)	-57%	(93)
Revenue Funding	462	51	(411)	-89%	(5)
Borrowing	16,102	10,022	(6,080)	-38%	(3,915)
Property Trading Account	1,361	308	(1,053)	-77%	(1,052)
Capital Receipts	2,000	5,000	3,000	150%	0
Total	56,361	48,370	(7,991)	-14%	(8,462)

Some of the most significant schemes during the year were:

Frederick Gough School	£9.3m
St. Bedes	£5.9m
Highways schemes	£4.8m
St. Lawrence	£3.3m
Building Schools for the Future ICT	£1.7m
Regional Growth Fund	£1.3m
Children's Campus	£1.1m

The main project variances are on support schemes, facilities improvement and major construction projects. Those with underspends include;

- Schools & Children's Centre Investment £1.52m
- The Pods £0.5m
- Carbon Management & Renewable Heating £0.62m
- Regional Growth Fund £2.04m
- Household Waste Recycling Sites £0.41m
- Quibell Park Redevelopment £0.49m
- A18 Roundabout Access Development £0.58m

These underspends are largely due to timing.

In keeping with established practice for the financing of the 2013-14 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
- Limited use has been made of direct revenue funding
- Internal Borrowing

The use of capital receipts and internal cash balances to finance capital investment, in line with the council's capital and treasury management strategies have meant that for a further year external borrowing has not been required.

Performance 2013-14

The Council's performance against key indicators has continued to improve, with 68% of our key performance measures improved year-on-year and 86% of these measures were on target or were within tolerance. In the context of real term reductions of £5.3m in the budget compared to 2012/13 this is again a positive outcome.

Budget 2014-15

At Council on 25th February members approved a net revenue budget of £142.1m for 2014/15. Compared to the approved budget the in-year position remains positive and the approved budget remains deliverable.

Integral to delivering the budget there are 78 savings initiatives totalling £8.65m; there are also 11 Revenue (£2.3m) and 25 capital (£22.3m) priority development initiatives. These savings and developments are reviewed regularly as part of the monitoring process and early forecasts provide a positive picture, indicating that most savings and developments will be fully achieved.

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 0.6%). It makes temporary use of cash balances which would otherwise be exposed to potential loss in volatile financial markets. By the end of 2013/14 the difference between the council's underlying need to borrow and its actual borrowing was £52.3m. 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 2013/14 was £107.8m.

Pensions

This year the liability has decreased by £42.2m. This is due to changes in the assumptions the scheme's Actuaries have made in determining the value of the scheme's assets and liabilities. Pension liabilities will be funded as they fall due through a combination of employee and employer contributions, government grants and council tax.

Asset Valuations

Property, plant & equipment and Investment Properties values have increased by £1.3m this year. There were £36.7m of additions including expenditure on the Building Schools for the future (BSF), roads, various schools, various sports facilities and vehicles. There were fewer Academy transfers in 2013-14. Only two resulted in a significant reduction in asset values. These were Outwood Academy which was valued at £11.1m and Ulceby St. Nicholas which was valued at £1.06m.

Humber Bridge

In March 2012, as part of a package of measures, the four Humber area authorities took equal responsibility for any deficit that the Bridge Board may incur in the future. The Humber Bridge Board is reporting a significant increase in users of the bridge and is planning to repay some of its remaining debt early. This means that the financial risk to the council remains very low.

Future Prospects

Revenue Budget 2014-18

Future prospects remain fair, the moderate underspend in 2013/14 provides a firm financial base for the future. There are still some uncertainties in the future level of Government Funding for Local Government although continuing reductions are likely. The council's medium term financial plan assumes funding will fall from £65.7m in 2014-15 to £48.1m in 2017-18. In the same period the council's net budget falls from £142.1m to £138.2m. The funding assumptions made in the budget will need to be closely monitored to ensure they remain deliverable.

	2014/15 £000's	2015/16 £000's	2016/17 £000's	2017/18 £000's
People services	66,298	63,016	61,338	60,738
Policy & Resources	12,256	11,264	10,273	9,890
Places	38,451	35,390	33,663	33,252
Central Budgets	25,107	26,801	32,077	34,324
Net Budget	**142,112**	**136,471**	**137,351**	**138,204**
Estimated Funding				
Revenue Support Grant	35,513	25,102	19,343	14,869
Base Line Funding Level (NNDR)	29,542	30,357	31,685	32,540
Council tax freeze grant 13/14,	672	672	672	672
Total Settlement Funding Assessment	65,727	56,131	51,700	48,081
Base Funding Assumptions				
Council Tax: Zero, Zero,1%,1%,	57,072	57,356	58,223	59,098
Freeze Grant 2014/15 & 2015/16	677	1,359	1,359	1,359
NNDR	2,447	3,298	3,889	3,889
New Homes Bonus	2,371	3,051	3,691	3,691
Business Rate Retention: Tariff & Levies	10,297	11,205	12,019	12,803
Education Services Grant	1,878	1,290	1,190	1,090
NNDR Section 31 Grant	1,539	0	0	0
Other Un-ring Fenced Grants	104	104	104	104
Total Base Funding	76,385	77,663	80,475	82,034
Growth Through New Developments				
Council Tax	0	692	1,388	2,090
NNDR	0	1,571	2,822	4,359
New Homes Bonus	0	414	966	1,640
Total Growth in Funding	0	2,677	5,176	8,089
Total Funding	**142,112**	**136,471**	**137,351**	**138,204**

Reserves

General Council reserves remain at £6.9m.

Other earmarked reserves total £31.4m, of these the revenue account support reserve is £12.3m. £11.5m of which is committed in the forward financial plan. Other significant usable reserves include £11.3m of revenue grants paid in advance, £0.7m of carried forward underspends from 13-14 and £1.2m held to meet any uninsured costs. For more information see Note 8.

Capital

The realigned capital budget is shown in summary along with funding implications 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	2014/15 £000's	2015/16 £000's	2016/17 £000's	2017/18 £000's
People services	19,277	4,584	2,486	2,569
Places	41,500	22,164	12,915	10,904
Policy & Resources	705	200	50	50
Total Programme	61,482	26,948	15,451	13,523
Funding Analysis				
Grant Funding	25,874	14,144	8,793	8,126
Borrowing	20,835	9,276	3,630	2,369
Revenue / Reserve Funding	5,533	28	28	28
External Funding	5,030	500	0	0
Capital Receipts	3,000	3,000	3,000	3,000
Property Trading Account	1,210	0	0	0
Total Funding	61,482	26,948	15,451	13,523

Other Future Developments

Fundamental changes to the way much of the Public Sector is operated are taking place nationally. 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. As part of these plans the Council is reviewing all of its central support functions and is aiming to make significant savings by streamlining processes, reducing bureaucracy and sharing services.

It is likely additional savings will be required in the period beyond the current financial plan but the council is in a strong position to cope given the council's good financial track record combined with the small revenue underspend and an increase in reserves in 2013-14.

Statement of Responsibilities

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 2014 has been prepared in the form directed by the Code and under the accounting policies set out in note 1.
(b) in my opinion the Statement of Accounts presents fairly the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.

M Wedgewood

Date of reauthorisation: 15/9/14

Mike Wedgewood
Director of Policy and Resources

Authority Approval of Statement of Accounts

These accounts will be approved for publication by the Council's Audit Committee in September 2014.

Date of

Councillor C. W. Eckhardt
Audit Committee (Chairman)

North Lincolnshire Council Annual Governance Statement 2013/14

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 page will be populated following the completion of the Audit of the Accounts in September 2014.

Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves of the Authority £000
Balance as At 1 April 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 the provision of services	(47,267)				**(47,267)**		**(47,267)**
Other Comprehensive Income and Expenditure	0		0		**0**	(26,449)	**(26,449)**
Total Comprehensive Income and Expenditure	**(47,267)**	**0**	**0**	**0**	**(47,267)**	**(26,449)**	**(73,716)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	46,644		(292)	11,944	**58,296**	(58,296)	**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 as at 31 March 2013	**10,022**	**24,949**	**1,192**	**20,912**	**57,075**	**39,601**	**96,676**
Movement in reserves during the year							
Surplus or (deficit) on provision of services	(25,517)				**(25,517)**		**(25,517)**
Other Comprehensive Income and Expenditure	0		0		**0**	64,036	**64,036**
Total Comprehensive Income and Expenditure	**(25,517)**	**0**	**0**	**0**	**(25,517)**	**64,036**	**38,519**
Adjustments between accounting basis & funding basis under regulations (note 7)	31,874		307	(6,161)	**26,020**	(26,020)	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**6,357**	**0**	**307**	**(6,161)**	**503**	**38,016**	**38,519**
Transfers to or from earmarked reserves (note 8)	(6,426)	6,426			**0**		**0**
Increase/Decrease in Year	**(69)**	**6,426**	**307**	**(6,161)**	**503**	**38,016**	**38,519**
Balance Sheet As At 31 March 2014	**9,953**	**31,375**	**1,499**	**14,751**	**57,578**	**77,617**	**135,195**

Comprehensive Income and Expenditure Statement

	Notes	2013/14			2012/13		
		£000	£000	£000	£000	£000	£000
		Expenditure	Income	Net	Expenditure	Income (Restated)	Net (Restated)
Central services to the public		3,594	(1,312)	2,282	16,630	(14,339)	2,291
Cultural and related services		18,025	(5,480)	12,545	16,647	(4,726)	11,921
Environment and regulatory services		24,690	(3,482)	21,208	25,792	(3,709)	22,083
Planning Services		9,639	(2,523)	7,116	6,547	(1,763)	4,784
Education and Children's services		143,118	(85,411)	57,707	139,368	(94,395)	44,973
Highways and transport services		17,638	(2,689)	14,949	16,902	(2,813)	14,089
Other housing services		52,306	(45,338)	6,968	52,879	(44,957)	7,922
Public Health (England only)		4,223	(5,676)	(1,453)	0	0	0
Adult Social Care		58,428	(20,204)	38,224	56,372	(17,371)	39,001
Corporate and democratic core		7,594	(3,860)	3,734	6,381	(2,114)	4,267
Non distributed costs		532	(1,526)	(994)	0	(3,937)	(3,937)
Surplus/Deficit on Continuing Operations		**339,787**	**(177,501)**	**162,286**	**337,518**	**(190,124)**	**147,394**
Other Operating Expenditure	**9**	14,783		14,783	58,096		58,096
Financing and Investment Income and Expenditure	**10**	33,527	(18,091)	15,436	32,556	(16,706)	15,850
Taxation and Non-Specific Grant Income	**11**	9,775	(176,763)	(166,988)	0	(174,073)	(174,073)
(Surplus) or Deficit on Provision of Services				**25,517**			**47,267**
Surplus or deficit on revaluation of Property, Plant and Equipment	**12**			(13,159)			(11,787)
Impairment losses on non-current assets charged to the Revaluation Reserve	**12**			1,860			0
Actuarial gains / losses on pension assets / liabilities	**48**			(52,737)			38,236
Other Comprehensive Income and Expenditure				**(64,036)**			**26,449**
Total Comprehensive Income and Expenditure				**(38,519)**			**73,716**

Balance Sheet

	Notes	31st March 2014 £000	31st March 2013 £000	31st March 2012 £000
Property, Plant & Equipment	**12**	405,243	401,078	449,478
Heritage Assets	**13**	1,039	1,039	1,039
Investment Property	**12**	38,422	41,304	42,476
Intangible Assets	**12**	195	182	244
Assets held for sale	**21**	7,198	5,747	4,895
Long Term Investments	**16**	14	10	10
Long Term Debtors	**19**	354	418	1,195
Long Term Assets		**452,465**	**449,778**	**499,337**
Short Term Investments	**16**	0	1,182	1,787
Inventories	**17**	676	640	533
Short Term Debtors	**19**	19,429	20,530	17,328
Cash and Cash Equivalents	**20**	16,587	13,411	7,786
Current Assets		**36,692**	**35,763**	**27,434**
Short Term Borrowing	**16**	2,004	1,271	2,025
Other Short Term Liabilities	**16**	108	130	209
Short Term Creditors	**22**	27,118	23,372	29,458
Provisions	**23**	4,451	808	890
Current Liabilities		**33,681**	**25,581**	**32,582**
Long Term Creditors	**22**	0	0	44
Provisions	**23**	2,396	1,219	1,062
Long Term Borrowing	**16**	105,847	107,708	108,869
Other Long Term Liabilities	**16/48**	212,038	254,357	213,822
Long Term Liabilities		**320,281**	**363,284**	**323,797**
Net Assets		**135,195**	**96,676**	**170,392**
Usable reserves	**24**	57,578	57,075	46,046
Unusable Reserves	**25**	77,617	39,601	124,346
Total Reserves		**135,195**	**96,676**	**170,392**

Cash Flow Statement

	Notes	2013/14 £000	Restated 2012/13 £000
Net surplus or (deficit) on the provision of services		(25,517)	(47,267)
Adjustment to surplus or deficit on the provision of services for noncash movements		61,956	79,528
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(27,630)	(34,068)
Net cash flows from operating activities	**26**	**8,809**	**(1,807)**
Net Cash flows from Investing Activities	**27**	**(3,756)**	**10,156**
Net Cash flows from Financing Activities	**28**	**(1,877)**	**(2,724)**
Net increase or decrease in cash and cash equivalents		**3,176**	**5,625**
Cash and cash equivalents at the beginning of the reporting period		**13,411**	**7,786**
Cash and cash equivalents at the end of the reporting period		**16,587**	**13,411**

Notes to the Accounts

Note 1 Accounting Policies

i. General Principles
The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 which require these 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 2013/14, the Service Reporting Code of Practice 2013/14, International Financial Reporting Standards (IFRS) and any relevant statutory instruments.
The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet where individual stock categories are above £10,000.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. In respect of both capital and revenue transactions, the Council operates on the normal accruals concept of income and expenditure above the councils de minimis threshold of £10,000. 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 a full 12 months of income and expenditure are accounted for in a financial year.

iii. Acquisitions and Discontinued Operations
Acquired operations
Additional policy detail required where an authority has acquired operations (or transferred operations under combinations of public sector bodies) during the financial year.
Discontinued operations
Additional policy detail required where an authority has discontinued operations (or transferred operations under combinations of public sector bodies) during the financial year.

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

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

v. 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, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

vi. Charges to Revenue for Non-current Assets

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

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement [equal to either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance]. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance [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.

vii. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post-employment Benefits
Employees of the Authority are members of two separate pension schemes:

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

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.
However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

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

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

The change in the net pension's liability is analysed into the following components:

Service cost comprising:

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

Re-measurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- contributions paid to the East Riding pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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

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

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

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

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

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

Financial Assets
Financial assets are classified into two types:

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

Loans and Receivables
Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.
For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.
However, the Authority has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.
Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets
Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.
Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and

Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.
Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).
Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.
Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

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

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

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

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

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

Heritage Assets – General
The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, eg where an item has suffered physical deterioration or breakage or where doubts arise as to its

authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment. The Authority will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

xiii. Intangible Assets

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

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

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

xiv. Interests in Companies and Other Entities

This policy is not relevant to this authority.

xv. Inventories and Long-term Contracts

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

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

xvi. 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.

xvii. Jointly Controlled Operations and Jointly Controlled Assets
Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.
Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

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

The Authority as Lessee

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

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

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

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

The Authority as Lessor

Finance Leases
Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is

credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

Operating Leases
Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg 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.

xix. 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 2013/14 (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 Authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

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

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

Measurement
Assets are initially measured at cost, comprising:

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure 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
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV–SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

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

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

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

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

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

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

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

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 (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.
Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.
The written-off value of disposals is not a charge against council tax, as the cost of 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.

xxi. Private Finance Initiatives and Similar Contracts
This policy is not relevant to this Authority

xxii. Provisions, Contingent Liabilities and Contingent Assets Provisions
Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.
Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.
When payments are eventually made, they are charged to the provision carried in the Balance Sheet.
Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

Other Trading Schemes
Carbon Reduction Commitment charges are accounted for within the relevant service within the Consolidated Income and Expenditure Account.

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

Contingent Assets
A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.
Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xxiii. Reserves
The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

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

xxv. 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.

Note 2 Accounting Standards Issued, Not Adopted

The following standards have been issued but not adopted:-
IFRS 10 Consolidated Financial Statements: This standard introduces a different definition of control which must be applied in determining the status of other organisations when considering whether group accounts are required to be prepared. This standard will not have an impact on the 13/14 accounts.

IFRS 11 Joint Arrangements: This standard clarifies the accounting for contractual arrangements over which two or more parties have control. The council is not a party to a material joint arrangement and therefore this standard will not have any impact on the accounts.

IFRS 12 Disclosure of Interests in Other Entities: This standard requires further disclosure of information about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The council is involved in some arrangements which may fall within the terms of this standard but none are material enough to require further disclosures.

IAS 27 Separate Financial Statements & IAS 28 Investments in Associates and Joint Ventures: These standards have been amended to be in line with changes to previous standards. There will not be an impact on the accounts from changes to these standards.

IAS 32 Financial Instruments: Presentation: This standard requires changes to the offsetting financial liabilities and assets. These requirements are already met by the entries in the Consolidated Income and Expenditure Account.

Note 3 Critical Judgements in Applying Accounting Policies

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

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.
The items in the Council's Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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

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 current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	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 Authority with expert advice about the assumptions to be applied.	However, the assumptions interact in complex ways. During 2013/14, the Authority's actuaries advised that the net pensions liability had decreased by £30.7m as a result of estimates being corrected as a result of experience and decreased by £21.5m attributable to updating of the assumptions.
Arrears	At 31 March 2014, the Authority had a balance of sundry debtors for £6.7m. A review of significant balances suggested that an impairment of doubtful debts of £0.7m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £0.7m to set aside as an allowance.
National Non Domestic Rates (NNDR) Provision	The council set aside, from its collection fund, £9.1m as a provision against the cost of the future settlement of current appeals outstanding against NNDR rateable values. The council's share of this provision of £4.5m is shown in Note 23.	The impact of appeals is highly uncertain and outside of the control of the council. The impact of a £1m increase in this provision would be £0.37m cost to the council but due to the statutory arrangements for the accounting for the collection fund this would not have to be met in-year.

Note 5 Material Items of Income and Expense

For this council a material item of income and expense would be around £5m or more. In year there were no items of that size.

Note 6 Events After the Balance Sheet Date

There were no significant post balance sheet events.

Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations

2013/14	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	22,693			(22,693)
Amortisation of Intangible Assets	94			(94)
Revaluation losses on Property Plant and Equipment	7,669			(7,669)
Movements in the Fair Value of Investment Properties	685			(685)
Capital grants and contributions unapplied credited to the Comprehensive I&E Statement	(26,828)		2,954	23,874
Unapplied Capital Grants used in financing			(9,115)	9,115
Revenue expenditure funded from capital under statute	11,601			(11,601)
Carrying amount of non current assets sold	14,180			(14,180)
Loans/Lease principal repayments during the year	(139)			139
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory Provision for the Financing of Capital Investment	(6,836)			6,836
Capital expenditure charged against the General Fund balance	(51)			51
Adjustments involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure		(5,308)		5,308
Proceeds From Sale of Non Current Assets	(2,263)	2,263		
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.	0	0		
Transfer to deferred capital receipts reserve upon receipt of cash		3,352		(3,352)
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)	27,160			(27,160)
Employer's pensions contributions and direct payments to pensioners payable in the year	(16,634)			16,634
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	(494)			494
Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year in accordance with statutory requirements	(16)			16
Adjustment involving the Accumulating Compensated Absences Adjustment Account				
Adjustments in relation to Short-term compensated absences	1,053			(1,053)
Total Adjustments	**31,874**	**307**	**(6,161)**	**(26,020)**

2012/13 Restated	General Fund Balance £000	Usable Reserves 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 balance	(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 48)	20,225			(20,225)
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	**46,644**	**(292)**	**11,944**	**(58,296)**

Note 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 2013/14.

	Balance	2012/13		Balance	2013/14		Balance
	Balance as At 1 April 2012	Transfers In	Transfers Out	Balance as at 31 March 2013	Transfers In	Transfers Out	Balance as at 31 March 2014
	£000	£000	£000	£000	£000	£000	£000
Revenue Support Reserve	10,440	1,013	(1,726)	9,727	3,609	(989)	12,347
Revenue Grants	7,342	1,204	(2,025)	6,521	5,970	(1,194)	11,297
Dedicated Schools Grant (DSG)	3,139	0	(1,824)	1,315	1,274	(334)	2,255
Public Health Grant	0	0	0	0	1,519	0	1,519
Insurance	1,173	0	0	1,173	0	0	1,173
Safety Camera Partnership	74	592	0	666	236	0	902
General Carry Forwards	0	1,726	0	1,726	736	(1,726)	736
Scunthorpe Special Expenses	190	37	(45)	182	41	(13)	210
Legal Services Reserve	250	0	0	250	0	(78)	172
Self Insurance	412	159	0	571	0	(421)	150
Pumping Stations	90	11	0	101	26	0	127
Flood Reserve	0			0	101	0	101
BDUK Reserve	0	0	0	0	100	0	100
Corporate System	90	0	0	90	0	0	90
Property Trading Account	359	6	0	365	0	(292)	73
D.S.G.-Delegated	0	0	0	0	58	0	58
Crematorium Enhancement	32	2	0	34	1	0	35
Commuted Sums	30	0	0	30	0	0	30
Impairment Reserve	2,001	0	0	2,001	0	(2,001)	0
HRA Closure Reserve	125	0	0	125	0	(125)	0
Performance Reward Grant	88	0	(16)	72	0	(72)	0
Total Earmarked Reserves	**25,835**	**4,750**	**(5,636)**	**24,949**	**13,671**	**(7,245)**	**31,375**

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.

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.

Impairment Reserve

This reserve was held to meet the potential costs of Impairment due to the failure of the two Icelandic banks with which the council held investments. The recovery of these funds has concluded and this reserve was no longer required. The balance was transferred to the Revenue Support Reserve.

Note 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

	2013/14 £000	2012/13 £000
(Gains)/losses on the disposal of non current assets	12,374	55,543
Parish council precepts	1,187	1,371
Payments to the Government Housing Capital Receipts Pool	0	8
Levies	1,222	1,174
	14,783	**58,096**

(Surplus)/Deficit on Non-Current Assets (excl Investment Properties)

	2013/14 £000	2012/13 £000
Net Proceeds from Sale General	(673)	(4,782)
Disposal costs	0	79
Carrying amount of non-current assets sold (excl Investment Properties)	13,047	60,246
	12,374	**55,543**

Parish Precepts

	2013/14 £000	2012/13 £000
Alkborough	4	4
Amcotts	2	2
Appleby	5	6
Ashby Parkland	1	2
Barnetby-le-wold	21	24
Barrow-on-Humber	12	14
Barton-upon-Humber	135	164
Belton	14	15
Bonby	10	12
Bottesford	91	99
Brigg	100	117
Broughton	86	98
Burringham	10	12
Burton-upon-Stather	41	45
Cadney-cum-Howsham	6	7
Crowle	55	63
East Butterwick	1	1
East Halton	3	4
Eastoft	3	4
Elsham	6	5
Epworth	51	57
Flixborough	11	12
Garthorpe & Fockerby	6	7
Goxhill	39	50
Gunness	27	34
Haxey	32	35
Hibaldstow	13	15
Holme	0	0
Horkstow	1	2
Keadby with Althorpe	23	29
Kirmington & Croxton	8	9
Kirton-in-Lindsey	66	73
Luddington	3	4
Manton	0	0
Melton Ross	2	3
Messingham	43	47
New Holland	7	9
North Killingholme	5	5
Owston Ferry	11	12
Redbourne	7	7
Roxby-cum-Risby	5	6
Saxby-all-Saints	3	4
Scawby-cum-Sturton	26	29
South Ferriby	11	13
South Killingholme	11	15
Thornton Curtis	2	2
Ulceby	11	13
West Butterwick	0	0
West Halton	5	5
Whitton	2	3
Winteringham	11	13
Winterton	104	122
Wootton	3	3
Worlaby	10	11
Wrawby	12	13
Wroot	10	11
Total	**1,187**	**1,371**

Note 10 Financing and Investment Income and Expenditure

	2013/14 Expenditure £000	2013/14 Income £000		2012/13 Expenditure £000	2012/13 Income £000	
Interest payable and similar charges	5,929		**5,929**	6,197		**6,197**
Net interest expense	11,385		**11,385**	10,073		**10,073**
Interest receivable and similar income		(143)	**(143)**		(165)	**(165)**
Income and expenditure in relation to investment properties and changes in their fair value	3,459	(4,710)	**(1,251)**	3,106	(3,098)	**8**
Other investment income	12,754	(13,238)	**(484)**	13,180	(13,443)	**(263)**
Total	**33,527**	**(18,091)**	**15,436**	**32,556**	**(16,706)**	**15,850**

Further details are included in the tables below:

	2013/14 £000	2012/13 £000
Lease/hire purchase interest	0	0
Reversal of Impairment	(279)	(98)
Bank interest	0	0
Loan Interest	6,155	6,282
Amortised Premium	53	13
	5,929	**6,197**

	2013/14 £000	2012/13 £000
Net Interest expense	11,385	10,073
	11,385	**10,073**

	2013/14 £000	2012/13 £000
Bank interest	0	0
Loans	0	0
Other Investment income	(143)	(165)
Interest received under leasing arrangements	0	0
	(143)	**(165)**

Income, Expenditure and changes in Fair Value of Investment Properties

	2013/14 £000	2012/13 £000
Income including rental income	(3,120)	(3,098)
Expenditure	1,641	1,649
Net income from investment properties	**(1,479)**	**(1,449)**
Surplus/deficit on sale of Investment Properties:		
Proceeds from sale	(1,590)	(283)
Carrying amount of investment properties sold	1,133	1,008
(Surplus)/deficit on sale of Investment Properties:	**(457)**	**725**
Changes in Fair Value of Investment Properties	**685**	**732**
Grand Total	**(1,251)**	**8**

(Surplus)/Deficit on trading operations -(see Note 31)

	2013/14 £000	2012/13 £000
Income from trading	(13,238)	(13,443)
Expenditure	12,813	13,180
(Surplus)/Deficit for the year	**(425)**	**(263)**

Note 11 Taxation and Non-specific Grant Income and Expenditure

Taxation and Non-Specific Grant Income and Expenditure	2013/14 £000	2012/13 £000
Income		
Council Tax Income	**58,530**	**68,121**
Non Domestic Rates Redistribution	**0**	**58,459**
Non Domestic Rates Income	**39,779**	**0**
Non-ringfenced government grants	**51,626**	**15,140**
Capital Grants	**26,828**	**32,353**
Total Taxation and Non-Specific Grant Income	**176,763**	**174,073**
Expenditure		
Non Domestic Rates Expenditure (Tariff and Levy)	**9,775**	

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

Council Tax	2013/14 £000	2012/13 £000
Current year	58,530	68,121
Total	**58,530**	**68,121**

	2013/14 £000	2012/13 £000
Revenue Support Grant	43,787	1,445
Other non-ring-fenced grants	5,151	11,382
New Homes Bonus	2,014	640
Council Tax Reduction Grant	674	1,673
Total	**51,626**	**15,140**

Capital Grants and Donated Assets-Applied	2013/14 £000	2012/13 £000
Government & Other Grants-Conditions met and applied in year	23,874	12,876
Donated Assets-Conditions met	0	318
Total	**23,874**	**13,194**

Capital Grants-Unapplied	2013/14 £000	2012/13 £000
Government & Other Grants-Conditions met and **not** applied.	2,954	19,159
Total	**2,954**	**19,159**

Revenue Grants	2013/14 £000	2012/13 £000
Income:		
Distribution from Non-Domestic Rate Pool	0	58,459
NDR proportionate share	39,741	0
NNDR Surplus	16	0
Renewable Energy Disregard	22	0
Total NDR Income	**39,779**	**58,459**
Expenditure:		
Tariff	9,452	
Non Domestic Rate Levy	323	
Total NDR Expenditure	**9,775**	**0**

Note 12 Property, Plant and Equipment

Current Year

	Property, Plant & Equipment (PP&E) Other Land & 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 2013	344,245	76,173	12,512	1,192	3,606	7,548	**445,276**	**41,304**	**458**	**487,038**
Adjustments between cost/value & depreciation/impairment	(44)	0	0	0	(1,677)	0	**(1,721)**	**0**	**(45)**	**(1,766)**
Adjusted opening balance	**344,201**	**76,173**	**12,512**	**1,192**	**1,929**	**7,548**	**443,555**	**41,304**	**413**	**485,272**
Additions (Note 40)	24,474	8,997	2,615	139	198	16	**36,439**	189	107	**36,735**
Donations	0	0	0	0	0	0	**0**	**0**		**0**
Revaluation increases/decreases to Revaluation Reserve	5,628	0	0	0	(333)	0	**5,295**	0	0	**5,295**
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(6,246)	0	(2,609)	0	(471)	0	**(9,326)**	(685)	(65)	**(10,076)**
Derecognition - Disposals	(12,605)	0	(293)	0	(280)	0	**(13,178)**	(1,133)	0	**(14,311)**
Derecognition - Other	0	0	0	0	0	0	**0**	0	0	**0**
Reclassifications & Transfers	395	79	0	0	61	1,098	**1,633**	(1,633)	0	**0**
Reclassified to Held for Sale	(2,200)	0	0	0	0	0	**(2,200)**	0	0	**(2,200)**
Reclassified from Held for Sale	0	0	0	0	0	0	**0**	380	0	**380**
Balance as at 31 March 2014	**353,647**	**85,249**	**12,225**	**1,331**	**1,104**	**8,662**	**462,218**	**38,422**	**455**	**501,095**
Depreciation and Impairment										
Balance as At 1 April 2013	24,091	14,310	5,737	0	13	47	**44,198**	**0**	**276**	**44,474**
Adjustments between cost/value & depreciation/impairment	(44)	0	0	0	(1,677)	0	**(1,721)**		**(45)**	**(1,766)**
Adjusted opening balance	24,047	14,310	5,737	0	(1,664)	47	**42,477**	0	231	**42,708**
Depreciation Charge	9,148	4,526	2,373	0	0	55	**16,102**	0	94	**16,196**
Depreciation written out on Revaluation Reserve	(7,816)		0	0	(48)	0	**(7,864)**	0	0	**(7,864)**
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	(704)	0	(2,609)	0	0	0	**(3,313)**	(21)	(65)	**(3,399)**
Impairment losses/reversals to Revaluation Reserve	1,860	0	0	0	0	0	**1,860**	0	0	**1,860**
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	6,575	0	0	0	1,677	16	**8,268**	0	0	**8,268**
Derecognition - Disposals	(393)	0	(10)	0	(13)	0	**(416)**	0	0	**(416)**
Derecognition - Other	0	0	0	0	0	0	**0**	0	0	**0**
Reclassifications & Transfers	(117)	1	0	0	48	69	**1**	0	0	**1**
Eliminated on reclassification to Held for Sale	(140)	0	0	0	0	0	**(140)**	21	0	**(119)**
Balance as at 31 March 2014	**32,460**	**18,837**	**5,491**	**0**	**0**	**187**	**56,975**	**0**	**260**	**57,235**
Net Book Value										
Balance as at 31 March 2014	**321,187**	**66,412**	**6,734**	**1,331**	**1,104**	**8,475**	**405,243**	**38,422**	**195**	**443,860**
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**

Comparator Year

	Other Land & 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**
Adjusted opening balance	**396,156**	**71,747**	**18,550**	**1,195**	**7,628**	**525**	**495,801**	**42,476**	**421**	**538,698**
Additions (Note 41)	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**
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**	110		**110**
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**		177	**46,500**
Adjustments between cost/value & depreciation/impairment	0	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**		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**	**(6,447)**
Derecognition - Disposals	(3,067)	0	(9)	0	0	0	**(3,076)**		**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)**
At 31 March 2013	**24,091**	**14,310**	**5,737**	**0**	**13**	**47**	**44,198**	**0**	**276**	**44,474**
Net Book Value										
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**

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 – straight-line allocation over the useful life of the property as estimated by a suitably qualified officer

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 2014, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013/14 and future years budgeted to cost £17.2m. The major commitments relate to:-

Building Schools for the Future	£6.9m
The Lilacs (De Lacy Way Site)	£3.4m
Priory Lane Junior School	£2.3m
Broughton Primary School	£1.9m
Quibell Park	£0.8m
Household Waste Recycling Sites	£0.6m
Ancholme Leisure Centre	£0.6m
Billet Lane Normanby Enterprise Park	£0.4m
The Pods & Central Park	£0.3m

Impairments

The main impairment during the year relates to Crowle Market Place.

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.

Note 13 Heritage Assets

	Civic Regalia £000	Museum Collection £000	War Memorials £000	Total Assets £000
Balance as At 1 April 2012	159	880	0	1,039
Additions	0	0	0	0
Disposals	0	0	0	0
Revaluations	0	0	0	0
Impairment (Losses)/Reversals recognised in the Revaluation Reserve	0	0	0	0
Impairment (Losses)/Reversals recognised in Surplus or Deficit on the Provision of Services	0	0	0	0
Balance as at 31 March 2013	**159**	**880**	**0**	**1,039**
Cost or Valuation				
Balance as At 1 April 2013	159	880	0	1,039
Additions	0	0	0	0
Disposals	0	0	0	0
Revaluations	0	0	0	0
Impairment (Losses)/Reversals recognised in the Revaluation Reserve	0	0	0	0
Impairment (Losses)/Reversals recognised in Surplus or Deficit on the Provision of Services	0	0	0	0
Balance as at 31 March 2014	**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.

Note 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:	**2013/14** £000	**2012/13** £000
Rental income from investment property	(3,120)	(3,098)
Direct operating expenses arising from investment property	1,628	1,649
Net (Gain)/Loss	**(1,492)**	**(1,449)**

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:

	2013/14 £000	**2012/13** £000
Balance at start of the year	41,304	42,476
Additions:		
- Purchases	175	0
- Construction	14	458
Disposals	(1,133)	(1,008)
Net (gains)/losses from fair value adjustments	(685)	(732)
Transfers:		
-to/from Property, Plant and Equipment	(1,253)	0
Other changes	0	110
Balance at end of the year	38,422	41,304

Note 15 Intangible Assets

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

	2013/14 Total £000	2012/13 Total £000
Balance at start of year:		
· Gross carrying amounts	458	421
· Accumulated amortisation	(276)	(177)
Net carrying amount at start of year	**182**	**244**
Additions:		
· Purchases	107	37
	289	**281**
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(65)	0
Amortisation for the period	(94)	(99)
Other changes	65	0
Net carrying amount at end of year	**195**	**182**
Comprising:		
· Gross carrying amounts	500	458
· Accumulated amortisation	(305)	(276)
	195	**182**

Note 16 Financial Instruments

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

	Long-term			Current		
	31/03/14 £000	31/03/2013 £000	31/03/12 £000	31/03/14 £000	31/03/2013 £000	31/03/12 £000
Investments						
Loans and receivables	0	0	0	0	0	0
Available-for-sale financial assets	0	0	0	0	1,182	1,787
Unquoted equity investment at cost	14	10	10	0	0	0
Financial assets at fair value through profit and loss	0	0	0	0	0	0
Total investments	**14**	**10**	**10**	**0**	**1,182**	**1,787**
Debtors						
Loans and receivables	354	418	1,195			
Financial assets carried at contract amounts				11,899	17,113	13,353
Total Debtors	**354**	**418**	**1,195**	**11,899**	**17,113**	**13,353**
Borrowings						
Financial liabilities at amortised cost	105,847	107,708	108,869	2,004	1,271	2,025
Financial liabilities at fair value through profit and loss	0	0	0	0	0	0
Total borrowings	**105,847**	**107,708**	**108,869**	**2,004**	**1,271**	**2,025**
Other Long Term Liabilities						
PFI and finance lease liabilities	56	164	312	108	130	209
Total other long term liabilities	**105,903**	**107,872**	**109,181**	**2,112**	**1,401**	**2,234**
Creditors						
Financial liabilities at amortised cost	0	0	0	0	0	0
Financial liabilities carried at contract amount	0	0	0	27,118	23,372	29,458
Total creditors	**0**	**0**	**0**	**27,118**	**23,372**	**29,458**

	2013/14					2012/13				
	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	6,208	0	0	0	**6,120**	6,295	0	0	0	**6,295**
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	0	0	**0**	0	0	0	0	**0**
Fee expense	0	0	0	0	**0**	0	0	0	0	**0**
Total expense in Surplus or Deficit on the Provision of Services	**6,208**	**0**	**0**	**0**	**6,120**	**6,295**	**0**	**0**	**0**	**6,295**
Interest income	0	0	0	0	**0**	-	0	-	-	**0**
Interest income accrued on impaired financial assets	0	0	0	0	**0**	-	0	-	-	**0**
Increases in fair value	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**
Losses on revaluation	-	0	0	-	**0**	-	-	0	-	**0**
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	0	0	(279)	-	**(279)**	-	-	(98)	-	**(98)**
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**0**	**0**	**(279)**	**0**	**(279)**	**0**	**0**	**(98)**	**0**	**(98)**
Net gain/(loss) for the year	**6,208**	**0**	**(279)**	**0**	**5,841**	**6,295**	**0**	**(98)**	**0**	**6,197**

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 and other organisations.

	31/03/14		31/03/2013	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities	107,851	132,043	108,979	144,782

Note 17 Inventories

In undertaking its work the Council holds reserves of stock.
The figure shown in the Balance Sheet may be subdivided as follows:

	2013/14 £000	2012/13 £000	2011/12 £000
Waste Stock	145	165	78
Highways Materials	144	150	128
Highways Salt Inventory	123	31	46
Fleet Stock	76	58	49
Operations Stock	61	70	64
Catering and Cleaning Stock	49	48	67
Technical & Environment Stock	39	29	22
Sports Facilities Trading	25	26	23
Normanby Hall Trading	14	15	14
Community Store - Adults	0	48	42
Total	**676**	**640**	**533**

Note 18 Construction Contracts

The council does not supply construction services for other bodies.

Note 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		
	2013/14 £000	2012/13 £000	2011/12 £000	2013/14 £000	2012/13 £000	2011/12 £000
Central Government Bodies	0	0	0	1,726	4,011	3,004
Other Local Authorities	0	0	0	1,884	1,637	1,093
NHS Bodies	0	0	0	2,222	154	106
Public corporations and trading funds	0	0	0	0	0	0
Other entities and individuals	0	0	0	6,280	11,174	8,811
Prepayments	0	0	0	1,239	1,925	2,142
Impairment of loans and receivables	0	0	0	(1,483)	(1,796)	(1,803)
Employee Car Loans	0	10	40	1	8	0
Loans and Advances	354	408	1,155	29	0	0
Total of Financial Instruments	**354**	**418**	**1,195**	**11,899**	**17,113**	**13,353**
NDR & Council Tax	0	0	0	4,498	2,180	2,334
Value Added Tax	0	0	0	3,032	1,237	1,641
Non-Financial Instruments	**0**	**0**	**0**	**7,530**	**3,417**	**3,975**
Total	**354**	**418**	**1,195**	**19,429**	**20,530**	**17,328**

Note 20 Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on 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:

	2013/14 £000	2012/13 £000	2011/12 £000
Cash and Bank balances	903	149	432
Short Term Investments	17,272	14,096	7,354
Bank Overdraft	(1,588)	(834)	0
Total	**16,587**	**13,411**	**7,786**

Note 21 Assets Held for Sale

These assets are being actively marketed for sale

	Non Current	
	2013/14 £000's	2012/13 £000's
Balance outstanding at start of year	**5,747**	4,895
Additions	35	0
Transferred from Non-Current Assets during year	1,701	1,680
Revaluation Gains losses taken to Surplus or deficit on the provision of services	0	(93)
Revaluation gains losses other	0	0
Impairment losses	0	0
Assets declassified as held for sale:	0	0
Assets sold Cost	(285)	(735)
Other Disposals		
Transfers between non current and current	0	0
Balance outstanding at year-end	**7,198**	**5,747**

Note 22 Creditors

Short Term Creditors

These are amounts owed by the council in the next twelve months, to 31st March 2015.

Short Term Creditors	2013/14 £000	2012/13 £000	2011/12 £000
Government Departments	2,899	4,957	5,860
Other Local Authorities	1,416	947	851
NHS Bodies	1,135	161	64
NNDR & Council Tax	5,040	1,822	4,294
Accumulated Absences	2,986	1,933	3,699
Receipts in advance	1,043	942	835
Bodies external to general government	12,598	12,610	13,855
Total Short Term Creditors	**27,118**	**23,372**	**29,458**

Long Term Creditors

These are amounts owed by the council and due for payment after 31st March 2015.

Long Term Creditors	2013/14 £000	2012/13 £000	2011/12 £000
Other creditors falling due after more than one year			
Central government bodies	0	0	0
Other local authorities	0	0	0
NHS bodies	0	0	0
Public corporations and trading funds	0	0	0
Bodies external to general government	0	0	44
Total Long Term Creditors	**0**	**0**	**44**

Total Creditors	**27,118**	**23,372**	**29,502**

Note 23 Provisions

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

Current Year

	Balance as At 1 April 2013 £000	Increase in provision during year £000	Utilised during year £000	Unused Amounts Reversed £000	Balance as at 31 March 2014 £000
NNDR Appeals	0	4,452	0	0	4,452
Insurance Claims	1,587	629	0	0	2,216
Municipal Mutual	372	0	217	0	155
Other	68	0	44	0	24
	2,027	**5,081**	**261**	**0**	**6,847**

Current Provisions	808	3,904	261	0	4,451
Long Term Provisions	1,219	1,177	0	0	2,396
	2,027	**5,081**	**261**	**0**	**6,847**

Prior Year

	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**

Insurance Claims

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

Municipal Mutual

This provision was set aside to meet the cost of a payment levied by the administrators of Municipal Mutual Insurance. An initial levy payment was made in 2013/14. The provision has been maintained to cover the costs of a further levy payment.

National Non-Domestic Rates Appeals (NNDR)

This provision has been established to meet the council's share of the estimated costs of settling appeals against the NNDR valuation of properties currently lodged with the Valuation Office Agency (VOA). The figure of £4.5m is the council's share of the full £9.1m appeal made from the collection fund.

Note 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 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	Capital Grants Unapplied Account	Earmarked Reserves	General Fund	TOTAL USABLE RESERVES	UNUSABLE 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
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as At 1 April 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**
Movements during the year:														
Applied Capital Grants					(23,874)	**(23,874)**	23,874						**23,874**	**0**
Unapplied Capital Grants received in year			2,954		(2,954)	**0**							**0**	**0**
Unapplied Capital Grants transferred to CAA in year			(9,115)			**(9,115)**	9,115						**9,115**	**0**
Transfer grants/conts on impaired spend					0	**0**	0						**0**	**0**
Grants relating to assets disposed of					(139)	**(139)**	139						**139**	**0**
Direct Revenue Financing	*7*				(51)	**(51)**	51						**51**	**0**
Depreciation & impairment adjustment	*7*				30,456	**30,456**	(30,456)						**(30,456)**	**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*				11,601	**11,601**	(11,601)						**(11,601)**	**0**
Surplus/(Deficit) on the Provision of Services					(25,517)	**(25,517)**							**0**	**(25,517)**
TRANSFER FROM Useable Capital Receiptsequal to the amount payable into the Housing Capital Receipt Pool	*7*	0			0	**0**							**0**	**0**
Transfers to or from earmarked reserves				6,426	(6,426)	**0**							**0**	**0**
Net movements on Pension Reserve	*47*				10,526	**10,526**			(10,526)				**(10,526)**	**0**
Disposal of Non Current Assets/Capital Sales	*7*	2,263			11,917	**14,180**	(13,149)	(1,031)		0			**(14,180)**	**0**
Minimum Revenue Provision For Capital Financing / Loans Pool / Finance Lease / PFI	*7*				(6,836)	**(6,836)**	6,836						**6,836**	**0**
Capital Receipts used to finance capital expenditure		(5,308)				**(5,308)**	5,308						**5,308**	**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*				(494)	**(494)**					494		**494**	**0**
Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year in accordance with statutory requirements	*7*				(16)	**(16)**					16		**16**	**0**
Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	*7*				0	**0**							**0**	**0**
Adjustments in relation to Short-term compensated absences					1,053	**1,053**						(1,053)	**(1,053)**	**0**
Movement in Investment Property Valuations					685	**685**	(685)						**(685)**	**0**
Revaluation	*12*					**0**		11,299	52,737				**64,036**	**64,036**
Mitigation of operating leases as lesses reclassified as finance leases upon transition to IFRS		0			0	**0**							**0**	**0**
Other Movements		3,352			0	**3,352**	1,992	(1,992)		(3,352)			**(3,352)**	**0**
Total movements on reserves during the year (Change in Net Worth)		**307**	**(6,161)**	**6,426**	**(69)**	**503**	**(8,576)**	**8,276**	**42,211**	**(3,352)**	**510**	**(1,053)**	**38,016**	**38,519**
Balance as at 31 March 2014		**1,499**	**14,751**	**31,375**	**9,953**	**57,578**	**207,476**	**84,728**	**(211,982)**	**0**	**381**	**(2,986)**	**77,617**	**135,195**

	Note	USABLE RESERVES Capital Receipts Reserve	Capital Grants Unapplied Account	Earmarked Reserves	General Fund	TOTAL USABLE RESERVES	UNUSABLE 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
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£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	*11*				(13,194)	**(13,194)**	13,194						**13,194**	**0**
Unapplied Capital Grants received in year	*11*		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**
Loans/Lease principal repayment					(227)	**(227)**	227						**227**	**0**
Direct Revenue Financing	*7*				(500)	**(500)**	500						**500**	**0**
Depreciation & impairment adjustment	*7*				24,999	**24,999**	(24,999)						**(24,999)**	**0**
Transfers between Statutory and Other Reserves and General Fund Scotland					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					(47,267)	**(47,267)**							**0**	**(47,267)**
TRANSFER FROM Useable Capital Receipts equal to the amount payable into the Housing Capital Receipt Pool	*7*	(8)			8	**0**							**0**	
Transfers to or from earmarked reserves				(886)	886	**0**							**0**	**0**
Net movements on Pension Reserve	*47*				2,447	**2,447**			(2,447)				**(2,447)**	**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**
Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year in accordance with statutory requirements	*7*				0						0		**0**	**0**
Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	*7*				0	**0**							**0**	**0**
Adjustments in relation to Short-term compensated absences					(1,766)	**(1,766)**						1,766	**1,766**	
Revaluation	*12*					**0**		11,787	(38,236)				**(26,449)**	**(26,449)**
Movement in Investment Property Values	*7*				732	**732**	(732)						**(732)**	**0**
Mitigation of operating leases as lesses reclassified as finance leases upon transition to IFRS					0	**0**							**0**	**0**
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**

Note 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.

	31/03/2014 £000	31/03/2013 £000
Balance 1 April	**1,192**	**1,484**
Capital Receipts in year	2,263	1,636
Deferred Receipts realised	3,352	8
	6,807	**3,128**
Less:		
Capital Receipts Pooled	0	(8)
Capital Receipts used for financing	(5,308)	(1,928)
Balance 31 March	**1,499**	**1,192**

Capital Grants Unapplied

Capital grants unapplied are grants received for capital purposes which have not yet been used to finance capital but conditions for their use have been met.

	31/03/2014 £000	31/03/2013 £000
Balance on 1 April	**20,912**	**8,968**
Unapplied Capital Grants received in year	2,954	19,159
Unapplied Capital Grants transferred to CAA in year	(9,115)	(7,215)
Balance on 31 March	**14,751**	**20,912**

Unusable Reserves

	31/03/2014 £000	31/03/2013 £000
Capital Adjustment Account	207,476	216,052
Revaluation Reserve	84,728	76,452
Pensions Reserve	(211,982)	(254,193)
Deferred Capital Receipts Reserve	0	3,352
Collection Fund Adjustment Account	381	(129)
Accumulating Compensated Absences Adjustment Account	(2,986)	(1,933)
Total Unusable Reserves	**77,617**	**39,601**

Capital Adjustment Account

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

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

	31/03/14		31/03/2013	
	£000	£000	£000	£000
Balance at 1 April		**216,052**		**265,473**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	(22,787)		(10,331)	
Revaluation losses on Property, Plant and Equipment	(7,669)		(14,668)	
Revenue expenditure funded from capital under statute	(11,601)		(3,694)	
Minimum Lease repayments	139		227	
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(14,180)		(61,254)	
		(56,098)		**(89,720)**
Adjusting amounts written out of the Revaluation Reserve		3,023		11,230
Net written out amount of the cost of non current assets consumed in the year		**(53,075)**		**(78,490)**
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	5,308		1,928	
Application of grants to capital financing from the Capital Grants Unapplied Account	9,115		7,215	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	23,874		13,194	
Statutory provision for the financing of capital investment charged against the General Fund balance	6,836		6,964	
Capital expenditure charged against the General Fund balance	51		500	
		45,184		**29,801**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(685)		(732)
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		0		0
Balance at 31 March		**207,476**		**216,052**

Revaluation Reserve

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

The balance is reduced when assets with accumulated gains are:

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

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

	31/03/2014	31/03/2013
	£000	£000
Balance at 1 April	**76,452**	**75,895**
Upward revaluation of assets	11,299	11,787
Difference between fair value depreciation and historical cost depreciation	(1,992)	(4,924)
Revaluation balances on assets scrapped or disposed of	(1,031)	(6,306)
Balance at 31 March	**84,728**	**76,452**

Pensions Reserve

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

	31/03/2014	31/03/2013
	£000	£000
Balance at 1 April	**(254,193)**	**(213,510)**
Re-measurements of the net defined benefit liability/(asset)	52,737	(38,236)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(27,160)	(20,225)
Employers pensions contributions and direct payments to pensioners payable in the year	16,634	17,778
Balance at 31 March	**(211,982)**	**(254,193)**

Deferred Capital Receipts Reserve

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

	31/03/2014 £000	31/03/2013 £000
Balance at 1 April	**3,352**	**10**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	3,350
Transfer to the Capital Receipts Reserve upon receipt of cash	(3,352)	(8)
Balance at 31 March	**0**	**3,352**

Collection Fund Adjustment Account

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

	31/03/2014 £000	31/03/2013 £000
Balance at 1 April	**(129)**	**177**
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	494	(306)
Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year in accordance with statutory requirements	16	0
Balance at 31 March	**381**	**(129)**

Accumulating Compensated Absences Adjustment Account

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

	31/03/2014 £000	31/03/2013 £000
Balance at 1 April	**(1,933)**	**(3,699)**
Settlement or cancellation of accrual made at the end of the preceding year	1,933	3,699
Amounts accrued at the end of the current year	(2,986)	(1,933)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		
Balance at 31 March	**(2,986)**	**(1,933)**

Note 26 Cashflow from Operating Activities

Analysis of Adjustments to Surplus/Deficit on the Provision of Services	2013/14 £000	Restated 2012/13 £000
Adjustment to surplus or deficit on the provision of services for noncash movements		
Depreciation	24,370	10,638
Impairment & downward valuations	5,992	14,668
Amortisation	94	99
Increase/(Decrease) in impairment for bad debts	(313)	(7)
(Increase)/Decrease in Inventories	(36)	(107)
(Increase)/Decrease in Debtors	1,439	(4,461)
Increase/(Decrease) in Creditors	425	(5,319)
Movement in pension liability	10,526	2,447
Carrying amount of non-current assets sold	14,180	60,848
Movement in provisions	4,820	75
Movement in value of investment properties	685	732
Adjust for Impairment reduction on cash equivalents	(226)	(85)
	61,956	**79,528**

Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
Purchase of short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0	0
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	1,461	0
Proceeds from the sale of PP&E, investment property and intangible assets	(2,263)	(1,715)
Capital grants included in "Taxation & non-specific grant income"	(26,828)	(32,353)
	(27,630)	**(34,068)**

The cash flows from operating activities include the following items

	2013/14 £000	2012/13 £000
Interest Paid	(6,066)	(6,287)
Interest Received	45	165

Note 27 Cashflow from Investing Activities

	2013/14 £000	2012/13 £000
Purchase of PP&E, investment property and intangible assets	(36,268)	(26,073)
Purchase of Short Term Investments (not considered to be cash equivalents)	0	0
Purchase of Long Term Investments	(4)	0
Other Payments for Investing Activities	0	0
Proceeds from the sale of PP&E, investment property and intangible assets	2,263	2,846
Proceeds from Short Term Investments (not considered to be cash equivalents)		703
Proceeds from Long Term Investments		0
Capital Grants and Contributions Received	26,901	32,680
Other Receipts from Investing Activities	3,352	
Net Cash flows from Investing Activities	**(3,756)**	**10,156**

Note 28 Cashflow from Financing Activities

	2013/14 £000	2012/13 £000
Appropriation to/from Collection fund Adjustment Account	(513)	(306)
Other Receipts from Financing Activities		
Cash payments for the reduction of the outstanding liability relating to a finance lease and on-Balance Sheet PFI contracts	(130)	(227)
Repayment of Short and Long Term Borrowing	(1,065)	(1,923)
Council Tax and NNDR Adjustments	(169)	(268)
Net Cash flows from Financing Activities	**(1,877)**	**(2,724)**

Note 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:

2013/14	People £000	Schools £000	Places £000	Policy £000	Central Budgets £000	Total £000
Fees, charges & other service income	20,789	9,032	38,921	2,634	1,111	**72,487**
Government grants	29,275	57,544	7,198	49,106	1,113	**146,630**
Total Income	**50,064**	**66,576**	**46,119**	**51,740**	**4,618**	**219,117**
Employee expenses	36,629	49,654	37,811	11,643	833	**136,570**
Other service expenses	79,277	16,922	49,431	52,852	29,528	**228,010**
Total Expenditure	**115,906**	**66,576**	**87,242**	**64,495**	**30,361**	**364,580**
Net Expenditure	**65,842**	**0**	**41,123**	**12,755**	**25,743**	**145,463**

2012/13 restated	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**

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.

	2013/14	2012/13 restated
	£000	£000
Net expenditure in the Directorate Analysis	145,463	129,273
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(129,233)	(79,310)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	9,287	(2,696)
Cost of Services in Comprehensive Income and Expenditure Statement	**25,517**	**47,267**

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.

2013/14	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	72,487	-	-	-	-	-	-	**72,487**
Interest and investment income	-	-	-	-	-	-	-	**0**
Income from council tax	-	-	-	494	-	-	58,530	**59,024**
Income from non domestic rates	-	-	-	16	-	-	39,779	**39,795**
Government grants and contributions	146,630	-	26,828	-	-	-	48,341	**221,799**
Total Income	**219,117**	**0**	**26,828**	**510**	**0**	**0**	**146,650**	**393,105**
Employee expenses	136,570	-	-	-	-	11,579	-	**148,149**
Other service expenses	228,010	-	-	(6,408)	-	11,601	-	**233,203**
Support Service recharges	-	-	-	-	-	-	-	**0**
Depreciation, amortisation and impairment	-	-	31,141	(6,975)	-	-	-	**24,166**
Interest Payments	-	-	-	-	-	-	-	**0**
Precepts & Levies	-	-	1,187	-	-	-	-	**1,187**
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	-	**0**
Gain or Loss on Disposal of Fixed Assets	-	-	11,917	-	-	-	-	**11,917**
Total expenditure	**364,580**	**0**	**44,245**	**(13,386)**	**0**	**23,180**	**0**	**418,622**
Surplus or deficit on the provision of services	**145,463**	**0**	**17,417**	**(13,896)**	**0**	**23,180**	**(146,650)**	**25,517**

2012/13 restated	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	77,924	-	(79)	-	(18,584)	-	-	**59,261**
Interest and investment income	-	-	-	-	-	-	-	**0**
Income from council tax	-	-	-	-	-	-	68,121	**68,121**
Income from non domestic rates[not to be used in 2012/13]		-				-	0	**0**
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	-	-	-	-	679	-	**148,052**
Other service expenses	224,191	-	6	122	(18,584)	3,694	1,370	**210,799**
Support Service recharges	-	-	-	-	-	-	-	**0**
Depreciation, amortisation and impairment	-	-	25,729	(7,191)	-	-	-	**18,538**
Interest Payments	-	-	-	-	-	-	-	**0**
Precepts & Levies	-	-	-	-	-	-	-	**0**
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)**	**4,373**	**1,378**	**433,586**
Surplus or deficit on the provision of services	**129,273**	**0**	**49,650**	**(7,069)**	**0**	**4,373**	**(128,960)**	**47,267**

Note 30 Acquired and Discontinued Operations

On the 1st April 2013, the Public Health function was transferred from NHS North Lincolnshire to the Council as part of changes taking place nationally. Forty six members of staff were transferred but no land or buildings.

Note 31 Trading Operations

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

	2013/14			2012/13			2011/12	2010/11	2009/10
	Expenditure £000	Income £000	Net Expenditure/ (Income) £000	Expenditure £000	Income £000	Net Expenditure/ (Income) £000	Net Expenditure/ (Income) £000	Net Expenditure/ (Income) £000	Net Expenditure/ (Income) £000
Fleet Management & Maintenance	4,854	(5,735)	**(881)**	4,902	(5,291)	**(389)**	**(231)**	**87**	**(751)**
Building Cleaning/ Maintenance	1,890	(1,725)	**165**	1,833	(1,729)	**104**	**82**	**122**	**43**
Catering	5,023	(4,896)	**127**	5,142	(5,384)	**(242)**	**(137)**	**245**	**38**
Markets	528	(478)	**50**	764	(531)	**233**	**44**	**216**	**105**
Digital Print Services				75	(121)	**(46)**	**82**	**98**	**104**
Building Control	518	(404)	**114**	464	(387)	**77**	**121**	**126**	**42**
Total	**12,813**	**(13,238)**	**(425)**	**13,180**	**(13,443)**	**(263)**	**(39)**	**894**	**(419)**

Note 32 Agency Services

The council does not have any Agency agreements.

Note 33 Road Charging Schemes

The council does not operate a road charging scheme.

Note 34 Pooled Budgets

North Lincolnshire Council and North Lincolnshire CCG 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.

	2013/14		2012/13	
	Learning Disability £000	Mental Health £000	Learning Disability £000	Mental Health £000
Funding provided to the pooled budget:				
The Authority	6,851	2,234	4,379	2,417
The Trust	423	11,876	430	12,666
	7,274	**14,110**	**4,809**	**15,083**
Expenditure met from the pooled budget:				
The Authority	6,899	2,435	4,445	2,409
The Trust	423	12,337	385	12,694
	7,322	**14,772**	**4,830**	**15,103**
Net surplus arising on the pooled budget during the year	**(48)**	**(662)**	**(21)**	**(20)**

Note 35 Members' Allowances

During the year Members allowances, including Employer's costs totalled £556k (2012/13 £593k) and are as follows:

	2013/14 £000	2012/13 £000
Allowances	521	554
Expenses	35	39
	556	**593**

Note 36 Officers' Remuneration

Continuing Employees		Basic Salary	Salary Supplement	Benefit in Kind	Compensation for Loss of Office	Pension Contribution	Total
		£	£	£	£	£	
Chief Executive	**2013/14**	**129,699**	**0**	**4,606**	**0**	**28,923**	**163,228**
	2012/13	129,699	0	5,138	0	28,923	163,760
Director of People	**2013/14**	**113,750**	**6,300**	**0**	**0**	**26,012**	**146,062**
	2012/13	104,369	6,300	0	0	23,920	134,589
Director of Places	**2013/14**	**90,000**	**0**	**9,803**	**0**	**20,070**	**119,873**
	2012/13	89,625	0	9,383	0	19,986	118,994
Director of Policy and Resources	**2013/14**	**90,000**	**2,246**	**3,883**	**0**	**20,070**	**116,199**
	2012/13	89,750	2,246	3,667	0	20,014	115,677
Director of Public Health (Transferred 1st April 2013)	**2013/14**	**82,295**	**2,468**	**0**	**0**	**11,867**	**96,630**
	2012/13	0	0	0	0	0	0
Totals	**2013/14**	**505,744**	**11,014**	**18,292**	**0**	**106,942**	**641,992**
	2012/13	413,443	8,546	18,188	0	92,843	533,020

Resigned, Redundant, Re-designated or Retired Employees		Basic Salary	Salary Supplement	Benefit in Kind	Compensation for Loss of Office	Pension Contribution	Total
		£	£	£	£	£	
Director of Adult Social Services (left June 2012)	**2013/14**	0	0	0	0	0	**0**
	2012/13	26,895	0	1,388	48,386	5,998	**82,667**
Director of Neighbourhood Services (left February 2013)	**2013/14**	0	0	0	0	0	**0**
	2012/13	78,538	0	7,851	43,447	28,409	**158,245**
Director of Corporate & Community Services (left July 2012)	**2013/14**	0	0	0	0	0	**0**
	2012/13	25,968	0	3,001	47,523	5,791	**82,283**
Totals	**2013/14**	**0**	**0**	**0**	**0**	**0**	**0**
	2012/13	131,401	0	12,240	139,356	40,198	323,195

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

	2013/14				2012/13			
	Teachers	Other Staff	Terminated Employment	Total	Teachers	Other Staff	Terminated Employment	Total
£50,001 to £55,000	31	31	7	**69**	22	26	2	**50**
£55,001 to £60,000	15	13	4	**32**	18	16	2	**36**
£60,001 to £65,000	10	4	2	**16**	16	4	2	**22**
£65,001 to £70,000	14	3	0	**17**	5	3	3	**11**
£70,001 to£ 75,000	0	2	1	**3**	1	1	0	**2**
£75,001 to £80,000	1	2	2	**5**	4	2	0	**6**
£80,001 to £85,000	3	0	0	**3**	2	0	0	**2**
£85,001 to £90,000	0	1	0	**1**	1	1	0	**2**
£90,001 to £95,000	1	0	0	**1**	0	0	0	**0**
	75	**56**	**16**	**147**	**69**	**53**	**9**	**131**

Note 37 External Audit Costs

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

	2013/14 £000	2012/13 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	138	143
Fees payable for the certification of grant claims and returns for the year	24	24
	162	**167**

Note 38 Dedicated Schools Grant

The Authority's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.
Details of the deployment of DSG receivable for 2013/14 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total
DSG figure as issued by the Department in July 2013 (This does not include the Early Years January 2014 adjustment)			116,183
Academy figure recouped for 2013/14			43,330
Total DSG after academy recoupment for 2013/14			**72,853**
Plus: Brought forward from 2012/13			1,315
Less: Carry forward to 2014/15 (agreed in advance)			981
Agreed initial budgeted distribution in 2013/14	19,975	53,212	**73,187**
In year adjustments	0	0	**0**
Final budget distribution for 2013/14	**19,975**	**53,212**	**73,187**
Less: Actual central expenditure	(18,701)		(18,701)
Less: Actual ISB deployed to schools		(53,212)	(53,212)
Plus: Local Authority contribution for 2013/14	0	0	**0**
Carry forward to 2014/15	**1,274**	**0**	**2,255**

Note 39 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14.

	Note	2013/14 £000	2012/13 £000
Credited to Taxation and Non-Specific Grant Income			
Revenue Support Grant	11	(43,787)	(1,445)
Other non-ring-fenced grants	11	(5,151)	(11,382)
New Homes Bonus	11	(2,014)	(640)
Council Tax Reduction Grant	11	(674)	(1,673)
Capital Grants	11	(26,828)	(32,035)
Donations	11	0	(318)
Council Tax Income	11	(58,530)	(68,121)
Redistributed NNDR	11	0	(58,459)
Total		**(136,984)**	**(174,073)**
Credited to Services			
Dedicated Schools Grant	38	(72,688)	(82,782)
EFA- Pupil Premium		(3,441)	(2,743)
DWP - Rent Allowance Subsidy		(44,971)	(43,996)
Rural Payments Agency		(602)	0
Public Health England		(8,071)	0
Education Funding Agency - 16-18 Funding		(629)	(795)
Small Business & EP Rate Relief		(784)	0
Skills Funding Agency		(1,236)	(1,475)
Total		**(132,422)**	**(145,182)**

Note 40 Related Parties

Related Parties

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

Central Government

Central government has 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 2013/14 is shown in Note 35. During 2013/14, works and services to the value of £108k were commissioned from companies in which six 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 £424k to voluntary organisations in which twenty three members had interests and £139k 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.

Officers

Payments totalling £7k 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 £96k to charities, £199k to voluntary organisations and £377k 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 two officers were the council's nominee Directors 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 £20.9m.

Councillor/Officer	Organisation
Councillors	
Councillor John Briggs	Member of Humberside Fire Authority
Councillor John England	Member of Humberside Police and Crime Panel
Councillor Jonathan Evison	Member of Humberside Police and Crime Panel
Councillor Jonathan Evison	Member of the Safer Neighbourhood Strategy Board
Councillor Ivan Glover	Trustee of Humber & Wold Rural Community Council
Councillor Christine O'Sullivan	Board of Governors Rotherham, Doncaster and South Humber NHS Trust
Councillor Liz Redfern	Member of Humberside Airport
Councillor Liz Redfern	Member of Humber Bridge Board
Councillor Liz Redfern	Director of Humber UTC
Councillor Liz Redfern	The L.E.P. Board – Humber LEP
Councillor Liz Redfern	The L.E.P. Board – Greater Lincolnshire LEP
Councillor Liz Redfern	Member of North Lincolnshire Homes Enterprise Board
Councillor David Roy Robinson	Member of North Lincolnshire Homes Board
Councillor David Roy Robinson	Board of Governors Rotherham, Doncaster and South Humber NHS Trust
Councillor Carl Sherwood	Member of North Lincolnshire Homes Board
Councillor Carl Sherwood	Member of the Safer Neighbourhood Strategy Board
Councillor Stephen Swift	Member of Humberside Fire Authority
Councillor John Paul Vickers	Member of Humberside Fire Authority
Councillor John Paul Vickers	Trustee of Humber & Wold Rural Community Council
Councillor Keith Vickers	Humber Port Authority
Councillor Rob Waltham	Member of Humberside Fire Authority
Councillor Rob Waltham	Nominated Governor of Northern Lincolnshire and Goole Hospitals NHS Foundation Trust
Councillor Rob Waltham	Member of North Lincolnshire Homes Board
Councillor Rob Waltham	Board of Governors Rotherham, Doncaster and South Humber NHS Trust
Councillor Stuart Robert Wilson	Board of Governors Rotherham, Doncaster and South Humber NHS Trust
Officers	
Nolan Bennett	Director of Engage North Lincolnshire
Jenny Couch	Corporation Board Member of John Leggott College
Simon Driver (Chief Executive)	Director Correct Compliance Ltd
Simon Driver	Corporation Board Member of John Leggott College
Marcus Walker	Board Member of Humber Chemical Focus
Marcus Walker	Board Member North Lindsey College
Mike Wedgewood	Director of Engage North Lincolnshire

Note 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 Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

Capital Expenditure and Capital Financing	2013/14 £000	2012/13 £000
Opening Capital Financing Requirement	**157,164**	**156,765**
Adjustments to the Opening Balance	0	1,041
Property, Plant and Equipment	36,439	25,197
Investment Properties	189	140
Donated Investment Property	0	318
Intangible Assets	107	37
Heritage Assets	0	0
Other	35	1,041
Revenue Expenditure Funded from Capital under Statute	11,601	3,694
	48,371	**30,427**
Sources of finance		
Capital receipts	(5,308)	(1,928)
Government grants and other contributions	(32,989)	(20,091)
Other Contributions	0	(318)
Sums set aside from revenue:		
Direct revenue contributions:		
General	(51)	(500)
Minimum Revenue Provision	(6,975)	(7,191)
	(45,323)	**(30,028)**
Closing Capital Finance Requirement	**160,212**	**157,164**
Explanation of movements in year		
Increase in underlying need to borrowing	3,048	399
Increase/(decrease) in Capital Financing Requirement	**3,048**	**399**

Note 42 Leases

Operating Leases (Council as lessor)

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

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

Future minimum lease income is set out below:

	2013/14 Land and buildings £000	2012/13 Land and buildings £000
Minimum lease rentals receivable:		
No later than 1 year	118	49
Later than 1 year and no later than 5 years	2,010	813
Later than 5 years	112,671	109,492
	114,799	**110,354**

Finance Leases (Council as lessee)

LEASED ASSETS (included within vehicles, plant and equipment)

	2013/14 Vehicles £000	2012/13 Vehicles £000
Cost or Valuation		
Opening Balance	723	2,067
Additions	0	0
Disposals	0	(1,344)
	723	**723**
Depreciation		
	235	1,294
Disposals	0	(1,317)
Provided for year	193	258
	428	**235**
Net Book Value		
Closing Balance	**295**	**488**
Opening Balance	**488**	**773**

No contingent rentals were recognised as an expense in the CIES during the reporting period under review, and no future sub-lease income is expected to be received, as all assets are used exclusively by the council. The lease agreements for the vehicles include fixed lease payments and a purchase option at the end of the respective lease terms. The agreements are non-cancellable but do not include any further restrictions. Future minimum finance lease payments at the end of each reporting period under review are as follows:

	Within 1 year £000	1 to 5 years £000	After 5 years £000	Total £000
31/03/14				
Finance leases payments	124	65	0	**189**
Less: finance charges	(16)	(9)	0	**(25)**
Net present value	**108**	**56**	**0**	**164**
31/03/2013				
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**

Included in the balance sheet as:

	31/03/14 £000	31/03/2013 £000	31/03/12 £000
Current liabilities	108	130	209
Long term liabilities	56	164	312
	164	294	521

Operating Leases (Council as lessee)

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

	2013/14 Vehicles, plant and equipment £000	2012/13 Vehicles, plant and equipment £000
Minimum lease payments	190	243
Contingent rentals	0	0
Less: Sublease payments receivable	0	0
	190	**243**

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

	2013/14 Vehicles, plant and equipment £000	2012/13 Vehicles, plant and equipment-restated £000
Minimum lease rentals payable:		
No later than 1 year	54	70
Later than 1 year and no later than 5 years	9	25
Later than 5 years	0	0
	63	**95**

Note 43 Private Finance Initiatives (PFI) and Similar Contracts

The council does not have any PFI or similar contracts.

Note 44 Impairment Losses

The council recognised impairment losses on a number of assets during the year. Impairment has been recognised where components of the assets have been demolished and replaced. The following assets are the most significant:-

Frederick Gough School	£3.8m
St. Lawrence Academy	£3.7m
Crowle Market Place	£1.6m

Note 45 Capitalisation of Borrowing Costs

The council does not capitalise the costs of borrowing.

Note 46 Termination Benefits

Exit packages

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£'000)	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£0-£20,000	18	74	65	27	83	101	708	383
£20,001 - £40,000	3	0	17	10	20	10	590	264
£40,001 - £60,000	1	0	6	1	7	1	373	50
£60,001 - £80,000	0	2	1	1	1	3	77	192
£80,001 - £100,000	0	0	1	0	1	0	83	0
£100,001 - £150,000	0	0	1	0	1	0	101	0
Total cost included in bandings							**1,932**	**889**
Add: Amounts provided for in CIES not included in bandings							317	0
Total cost included in CIES							**2,249**	**889**

Note 47 Pension Schemes Accounted for as Defined Contribution Schemes

Teachers

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

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

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

In 2013/14, the council paid £3.8m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2012/13 were £4.5m and 14.1%. There were no contributions remaining payable at the year-end. The contributions due to be paid in the next financial year are estimated to be £3.8m.

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

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

Public Health staff

Under the new arrangements for Public Health, staff performing public health functions at NHS North Lincolnshire were compulsorily transferred to the Authority on 1 April 2013 on the abolition of the Primary Care Trusts nationally. The transferred staff retained access to the NHS Pension Scheme. The Scheme provides specified benefits upon retirement towards which the Authority makes contributions based on a percentage members' salaries. The Scheme is administered by the NHS Business Services Authority on behalf of the Department of Health.

The Scheme is a multi-employer defined benefit scheme. The Scheme is unfunded and the Department of Health uses a notional fund as the basis for setting employer contribution rates. Valuations of the fund are undertaken every four years.

The Scheme has over 1.3m active members employed in a wide variety of organisations. Forty six staff transferred from NHS North Lincolnshire and consequently the Authority is unable to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2013/14 the Authority paid £149k to the NHS Pension Scheme in respect of the retirement benefits of public health staff representing 14% of pensionable pay. There are no comparators for the previous year as the staff were not employed by the Authority. There were no contributions remaining payable at the year-end. Contributions due to be paid in the next financial year are estimated to be £125k.

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

Note 48 Defined Benefit Pension Schemes

Retirement Benefits

Participation in the Local Authority Pension Scheme

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

The Authority participates in two post-employment schemes:

(i) The Local Government Pension Scheme, administered locally by East Riding Council - this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

(ii) Arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However there are no investment assets built up to meet these liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

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

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

Transactions relating to Post-Employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of service when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge the Authority is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund [and Housing Revenue Account] via the Movement on Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme 2013/14 £000	Local Government Pension Scheme 2012/13 £000	Discretionary Benefits 2013/14 £000	Discretionary Benefits 2012/13 £000
Comprehensive Income and Expenditure Statement				
Cost of services:				
Service cost comprising:				
Current service cost	16,721	14,059	0	0
Past service cost	267	782	0	0
(Gain)/loss from settlements	(1,213)	(4,689)	0	0
Financing and Investment Income and Expenditure:				
Net Interest expense	11,385	10,073	0	0
Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services	**27,160**	**20,225**	**0**	**0**
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement				
Re-measurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(30,719)	(34,427)	0	0
Actuarial gains and losses arising on changes in demographic assumptions	(13,811)	0	0	0
Actuarial gains and losses arising on changes in financial assumptions	(4,313)	38,585	(446)	33,195
Other	(3,448)	883	0	0
Total post employment benefits charged to the Comprehensive Income and Expenditure Statement	**(25,131)**	**25,266**	**(446)**	**33,195**
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	**(27,160)**	**(20,225)**	**0**	**0**
Actual amount charged against the general fund balance for pensions in the year:				
Employers' contributions payable to scheme	**14,634**	**15,778**		
Retirement benefits payable to pensioners			**2,000**	**2,000**

Pensions Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme 2013/14 £000	Local Government Pension Scheme 2012/13 £000	Discretionary Benefits 2013/14 £000	Discretionary Benefits 2012/13 £000
Present value of the defined obligation	(655,315)	(645,531)	(28,749)	(31,195)
Fair value of plan assets	472,082	422,533	0	0
	(183,233)	**(222,998)**	**(28,749)**	**(31,195)**
Total Liability	**(211,982)**	**(254,193)**		

Reconciliation of movements in the fair value of scheme assets

	Local Government Pension Scheme 2013/14 £000	Local Government Pension Scheme 2012/13 £000	Discretionary Benefits 2013/14 £000	Discretionary Benefits 2012/13 £000
Opening fair value of scheme assets	422,533	361,079	0	0
Interest income	18,981	17,546		0
Re-measurement gain/(loss):				
the return on plan assets, excluding the amount included in the net interest expense	30,719	34,427		
Other (if applicable)				
The effect of changes in foreign exchange rates		0		
Contributions from employer	14,634	15,778	2,000	2,000
Assets gained on entity combination		9,742		
Contributions from employees into the scheme	4,107	4,317		
Benefits/transfers paid	(18,188)	(17,374)	(2,000)	(2,000)
Assets distributed on settlements	(704)	(2,982)		
Other (if applicable)				
Closing value of scheme assets	**472,082**	**422,533**	**0**	**0**

Reconciliation of present value of the scheme liabilities:

	Local Government Pension Scheme 2013/14 £000	Local Government Pension Scheme 2012/13 £000	Discretionary Benefits 2013/14 £000	Discretionary Benefits 2012/13 £000
Opening balance at 1 April	(645,531)	(574,589)	(31,195)	0
Current service cost	(16,721)	(14,059)		
Interest cost	(30,366)	(27,619)		0
Contributions from scheme participants	(4,107)	(4,317)		
Remeasurement (gains) and losses:				
Actuarial gains/losses from changes in demographic assumptions	13,811			
Actuarial gains/losses from changes in financial assumptions	4,313	(38,585)	446	(33,195)
Other (if applicable)	3,448			
Past service cost	(267)	(782)		
Losses/(gains) on curtailments where relevant	0			
Liabilities assumed on entity combinations		(10,625)		
Benefits/transfers paid	18,188	17,374	2,000	2,000
Liabilities extinguished on settlements (where relevant)	1,917	7,671		
Balance as at 31 March	**(655,315)**	**(645,531)**	**(28,749)**	**(31,195)**

	Fair value of scheme assets 31/03/13 £000	31/03/14 £000
Cash and cash equivalents	30,437	26,434
Equities:		
by industry type		
Consumer	44,132	50,578
Manufacturing	25,232	27,025
Energy and utilities	28,552	32,433
Financial institutions	24,157	35,553
Health and care	24,405	29,022
Information technology	22,231	29,209
		91
sub-total equity	**168,708**	**203,909**
Bonds:		
by sector		
Corporate (Investment Grade)	10,347	11,131
Corporate (non-Investment Grade)	4,514	6,091
Government	16,024	15,767
Other	13,781	12,413
sub-total bonds	**44,666**	**45,402**
Property:		
by type		
UK Property	24,676	29,006
Overseas Property	0	0
sub-total property	**24,676**	**29,006**
Private equity		
UK	20,836	21,643
Overseas	0	0
sub-total private equity	**20,836**	**21,643**
Investment funds & Unit Trusts:		
Equities	111,891	116,328
Infrastructure	7,614	11,385
Other	13,705	17,977
sub-total other investment funds	**133,209**	**145,689**
Total assets	**422,533**	**472,082**

Basis for estimating assets and liabilities

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

Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Hymans, Roberts and Partners, an independent firm of actuaries, estimates for the County Council Pension Fund being based on the latest full valuation of the scheme as at 1 April 2013.

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

	Local Government Pension Scheme 2013/14	2012/13
Long-term expected rate of return on assets in the scheme:		
Equity investments	0.078	0.078
Bonds	0.050	0.050
Other	0.048	0.048
Mortality assumptions:		
Longevity at 65 current pensioners:		
Men	21.9	0.0
Women	24.1	0.0
Longevity at 65 for future pensioners:		
Men	24.2	0.0
Women	26.7	0.0
Financial assumptions:		
Rate of inflation	0.0%	0.0%
Rate of increase in salaries	4.1%	5.1%
Rate of increase in pensions	2.8%	2.8%
Discount Rate	4.3%	4.5%

Note 49 Contingent Liabilities

The council has provided for all known National Non-Domestic Rate appeals in its area. However future successful appeals may be backdated several years. Neither the timing nor the value of these appeals can be foreseen. The council therefore has a contingent liability in relation to these appeals.

Note 50 Contingent Assets

The council does not have any material contingent assets.

Note 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 2014 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. In 2013/14 the council, along with most of the other Local Authority creditors of Landsbanki sold their claims through an auction. Additionally a further payment was made by the administrators of Heritable bank. This payment is likely to be the last. Recovery of around 94% of the Heritable and over 90% of the Landsbanki investments has been achieved.

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 2013/14 the council would have earned an additional £286k 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.

Note 52 Money held on behalf of others

As at 31st March 2014 the Council held £0.3m 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	2013/14 £'000	2012/13 £'000
Local Safeguarding Children Board	(129)	(73)
Minimum Support homes Renovation	(99)	(82)
Adoption Consortium	(53)	(48)
Criminal Injuries Compensation Authority	0	(44)
	(281)	**(247)**

Note 53 Prior Period Adjustments

Adjustments have been made to the Consolidated Income and Expenditure Statement to reflect the changes made to International Accounting Standard 19. The change resulted in the following movements in the Comprehensive Income and Expenditure Statement, the Cashflow and some notes:-

Comprehensive Income and Expenditure Statement

- Deficit on Continuing Operations reduced by £0.9m
- Financing and Investment Income and Expenditure increased by £3.7m
- Actuarial losses on pension assets/liabilities reduced by £2.8m

Cashflow

- Net surplus or (deficit) on the provision of services by £2.8m
- Adjustment to surplus or deficit on the provision of services for noncash movements by £0.6m
- Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities by £3.4m

Collection Fund

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

2012/13					2013/14		
Business Rates £000	Council Tax £000	Total £000	Collection Fund	Notes	Business Rates £000	Council Tax £000	Total £000
			INCOME				
	(68,240)	(68,240)	Council Tax	4		(70,162)	(70,162)
			Transfers from General Fund - council tax:				
	(13,281)	(13,281)	Council Tax Benefit	6			
(79,192)		(79,192)	Income collectable from Business Ratepayers	5			
			Non-domestic rates		(87,970)		(87,970)
			Transitional protection payments - non-domestic rates		(2,788)		(2,788)
(79,192)	**(81,521)**	**(160,713)**	**Total amounts to be credited**		**(90,758)**	**(70,162)**	**(160,920)**
			EXPENDITURE				
			Business Rate:				
78,945		78,945	Payment to National Pool	5			
247		247	Cost of Collection				
			Precepts, demands and shares				
			Central Government		40,552		40,552
	68,296	68,296	Billing Authority		39,741	57,726	97,467
	4,059	4,059	Fire Authority		811	3,431	4,242
	9,017	9,017	Police Authority			7,623	7,623
			Charges to Collection Fund				
	143	143	Write-offs of uncollectable amounts		367	115	482
	217	217	Increase/(decrease) in allowance for impairment		(107)	303	196
			Increase/(decrease) in allowance for appeals		9,084		9084
			Charge to General Fund for allowable collection costs for non-domestic rates		256		256
			Other transfers to General Fund in accordance with non-domestic rates regulations [report separately for each major Scheme where transfers are material]				
			Renewable Energy		22		22
			Apportionment of previous year's estimated Collection Fund surplus:				
			Central Government		0		0
	130	130	Billing Authority		0	308	308
	8	8	Fire Authority		0	18	18
	17	17	Police Authority			41	41
79,192	**81,887**	**161,079**	**Total amounts to be debited**		**90,726**	**69,565**	**160,291**
0	**366**	**366**	**(Surplus) /deficit arising during the year**		**(32)**	**(597)**	**(629)**
0	(210)	(210)	(Surplus)/deficit b/f at 1 April		0	156	156
0	**156**	**156**	**(Surplus)/deficit c/f at 31 March**		**(32)**	**(441)**	**(473)**

Collection Fund Note 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 to be distributed between Billing and Precepting Authorities on the basis of estimates, made in January of each year-end balance. For 2013/14, the amount outstanding in January 2013 in respect of Council Tax when compared with the provision made by the Council for non-payment, was not above the level anticipated and therefore no surplus was declared.

Collection Fund Note 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.

Valuation Band Range of Values				
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

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.)

Collection Fund Note 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	29,841	6/9	19,894	877
B	13,230	7/9	10,290	1,023
C	9,911	8/9	8,810	1,169
D	6,674	9/9	6,674	1,315
E	3,245	11/9	3,967	1,608
F	1,301	13/9	1,880	1,900
G	428	15/9	713	2,192
H	11	18/9	21	2,631
			52,248	
	Adjustment for MOD properties		44	
			52,292	

Collection Fund Note 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	68,779,379
(ii) Number of Band D equivalent Dwellings	52,292
Band D (i divided by ii)	1,315

Collection Fund Note 5 – Non-Domestic Rates

Non-Domestic Rates are organised on a local basis. The Government specifies an amount and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. In 2013/14 the amount was 47.1p (45.8p = 2012/13) and 46.2p for small businesses (45.0p = 2012/13) The Council is responsible for collecting rates due from the ratepayers in its area and distributing the amount collected between itself, central government and major preceptors in proportions specified by central government. This is shown in the Comprehensive Income and Expenditure Statement and analysed at Note 11. The total rateable value @ 31 March 2014 was £213,722,257 (31 March 2013 = £213,058,002).

Collection Fund Note 6 – Council Tax Support Scheme

On the 1st April 2013, the Government abolished Council Tax Benefit and replaced it with locally designed Council Tax Support Schemes. These schemes reduce the liability of eligible tax payers through discounts rather than benefits.

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.

Balance Sheet (BS)
Summary of the overall financial position of 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).

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.

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.

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.

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.

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).

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

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

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

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

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

Fees and Charges
Income arising from the provision of services.

Financial 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.

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

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

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

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

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

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.

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.