Report of the Director of Policy & Resources

Agenda Item No: 9
Meeting: 22 September 2015

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

AUDIT OF ACCOUNTS 2014/15
MATTERS ARISING FROM THE AUDIT

1. OBJECT AND KEY POINTS IN THIS REPORT

1.1 The council's unaudited accounts were approved by the Director of Policy and Resources on 29 June 2015. This met the statutory requirement that they be approved by 30 June 2015.

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 2015.

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 2014/15 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 adjustments to the accounts were required.
- One area for development was identified

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

- The analysis of service costs in the Comprehensive Income and Expenditure Statement (CIES) included some errors.
- The resource allocation note (Note 29) did not fully comply with the requirements of the code.

2.7 Changes will be made to the Council's closure of accounts process for 2015/16 to ensure this issue is not repeated.

2.8 The council's protocol for the processing of journals will be updated as part of the development of the Accountancy Shared Service with North East Lincolnshire Council.

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

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

3. OPTIONS FOR CONSIDERATION

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

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

3.3 The Audit Committee are also invited to endorse the signing of the Letter of Representation.

4. ANALYSIS OF OPTIONS

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

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

5.1 The accounts present the council's financial position as at 31 March 2015. 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 2011 (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 2014/15, 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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DN16 1AB
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Date: 13/09/15

Background Papers used in the preparation of this report

cutting through complexity

Report to those charged with governance (ISA 260) 2014/15

North Lincolnshire Council

22 September 2015

Contents

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.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.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tim Cutler, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Trevor Rees (on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

Section one

Introduction

This document summarises:

- **the key issues identified during our audit of the financial statements for the year ended 31 March 2015 for the Authority; and**
- **our assessment of the Authority'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 Authority') in relation to the Authority's 2014/15 financial statements; and
- the work to support our 2014/15 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2014/15*, issued in February 2015 and presented to you in April 2015, set out the four stages of our financial statements audit process.

This report focuses on the third stage of the process: substantive procedures. Our on site work for this took place during July and August 2015.

It also includes any findings in respect of our control evaluation which we have identified in 2014/15.

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

VFM conclusion

Our *External Audit Plan 2014/15* explained our risk-based approach to VFM work. We have now completed the work to support our 2014/15 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 Authority 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 2014/15 financial statements of the Authority.
- Section 4 outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1. We have also reviewed your progress in implementing prior recommendations.

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 for the Authority. The remainder of this report provides further details on each area.

Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2015. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.
Audit adjustments	Our audit has identified a total of two audit adjustments with a total value of £14.9m however the net impact on the overall Net Cost of Services in the Comprehensive Income and Expenditure Statement is nil. These relate to the following items: ■ Reclassification of the gross income and expenditure of Adult Social Care and Children's and Educational Services to the value of £13.8m. There is no impact on the Net Cost of Services as a result of this reclassification; and ■ Reclassification of £1.1m from the Other Operating Expenditure heading into the Financing and Investment Income and Expenditure heading of the Comprehensive Income and Expenditure Statement. This reclassification also had no impact on the Net Cost of Services. Further details of these audit adjustments, which have all been adjusted by the Authority, are included at Appendix 2.
Key financial statements audit risks	We review risks to the financial statements on an ongoing basis. Our Audit Plan, issued in February 2015 did not identify any significant risks specific to the Authority during 2014/15 with respect to the financial statements. However, we identified one area of audit focus relating to the accounting for local authority maintained schools. We have worked with officers throughout the year to discuss the area of audit focus and our detail findings are reported in section 3 of this report. There are no matters of any significance arising as a result of our audit work in this area.
Accounts production and audit process	The Authority has good processes in place for the production of the accounts and good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales. The Authority has implemented all of the recommendations in our *ISA 260 Report 2013/14* relating to the financial statements.
Completion	At the date of this report our audit of the financial statements is substantially complete, subject to our: ■ Receipt of approved financial statements; and ■ Receipt of signed management representation letter. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Headlines (continued)

VFM conclusion and risk areas	We identified financial resilience as a risk to our VFM conclusion in our External audit plan 2014/15 issued in February 2015. We have worked with officers throughout the year to discuss this VFM risk and our detailed findings are reported in section 4 of this report. There are no matters of any significance arising as result of our audit work in this VFM risk area. We have concluded that the Authority 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 2015.

Proposed opinion and audit differences

Our audit has identified a total of two audit adjustments.

The overall impact of these adjustments is nil. They relate to:

- Reclassification of the gross income and expenditure of Adult Social Care and Children's and Educational Services to the value of £13.8m; and
- Reclassification of £1.1m from the Other Operating Expenditure heading into the Financing and Investment Income and Expenditure heading of the Comprehensive Income and Expenditure Statement.

Proposed audit opinion

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Audit Committee on 22 September 2015.

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.

The final materiality (see Appendix 4 for more information on materiality) level for this year's audit was set at £7.3m. Audit differences below £350k are not considered significant.

Our audit has identified a total of two significant audit adjustments with a total value of £14.9m however the net impact on the overall Net Cost of Services in the Comprehensive Income and Expenditure Statement is nil. These relate to the following items:

- Reclassification of the gross income and expenditure of Adult Social Care and Children's and Educational Services to the value of £13.8m. The table on the right illustrates the total impact of audit differences on the Authority's accounts captions in the Comprehensive Income and Expenditure Statement. There is no impact on the Net Cost of Services as a result of this reclassification; and
- Reclassification of £1.1m from the Other Operating Expenditure heading into the Financing and Investment Income and Expenditure heading of the Comprehensive Income and Expenditure Statement. This reclassification also had no impact on the Net Cost of Services.

Further details of these audit adjustments, which have all been adjusted by the Authority, are included at Appendix 2.

Account headings in CIES

£m	Pre-audit	Post-audit	*Ref (App.2)*
Gross Expenditure – Children's and Education Services	133,143	126,317	(i)
Gross Income – Children's and Education Services	-94,976	-88,048	(i)
Net Expenditure – Children's and Education Services	38,167	38,269	(i)
Gross Expenditure – Adult Social Care	50,351	57,177	(i)
Gross Income – Adult Social Care	-12,090	-19,018	(i)
Net Expenditure – Adult Social Care	38,261	38,159	(i)
Other Operating expenditure	18,052	19,147	(ii)
Financing and Investment Income and Expenditure	13,555	12,460	(ii)

Financial Statements
Proposed opinion and audit differences (continued)

We anticipate issuing an unqualified audit opinion in relation to the Authority's financial statements by 30 September 2015.

The wording of your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.

Of the other audit adjustments we have identified, the most significant one relates to the following:

- Note 29: Amounts Reported for Resource Allocation Decisions – This note is designed to reconcile the values reported in the budget to those shown in the Comprehensive Income and Expenditure Statement. The note in the draft statement of accounts missed out one required element to demonstrate this so the note has been amended in the revised statement of accounts.

In addition, 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 in the United Kingdom 2014/15 ('the Code')*. We understand that the Authority will be addressing these where significant.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

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

Financial Statements (continued)
Significant risks and key areas of audit focus

We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus.

This section sets out our detailed findings on those risks.

In our External Audit Plan 2014/15, presented to you in February 2015, we identified no significant risks specific to the Authority which would affect the 2014/15 financial statements. However, we did identify one area of audit focus; this is covered in more detail on the next page.

In our External Audit Plan 2014/15 we also reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were management override of controls and the fraud risk of revenue recognition.

The table below sets out the outcome of our audit procedures and assessment on these risk areas.

Areas of significant risk		Summary of findings
Management override of controls	Audit areas affected ▪ All areas	Our audit methodology incorporates the risk of management override as a default significant risk. Management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit. In line with our methodology, we carried out appropriate 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. There are no matters arising from this work that we need to bring to your attention.
Fraud risk of revenue recognition	Audit areas affected ▪ None	Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. In our External Audit Plan 2014/15 we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue. This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

Financial Statements
Significant risks and key areas of audit focus (continued)

We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus

This section sets out our detailed findings on those risks

Area of Audit Focus	Issue	Findings
	LAAP Bulletin 101 *Accounting for School Assets used by Local Authority Maintained Schools* issued in December 2014 has been published to assist practitioners with the application of the Accounting Code in this respect. The challenges relate to school assets owned by third parties such as church bodies and made available to school governing bodies under a variety of arrangements. This includes assets used by Voluntary-Aided (VA) and Voluntary-Controlled (VC) Schools as well as Foundation Schools. The Authority will need to review the agreements under which assets are used by VA/VC and Foundation schools and apply the relevant tests of control in the case of assets made available free of charge, or risks and rewards of ownership in the case of assets made available under leases. This is a key area of judgement and there is a risk that the Authority could omit school assets from, or include school assets, incorrectly in their balance sheet.	The Authority has reviewed its arrangements and applied the relevant tests of control of these assets and we are satisfied that all relevant school assets have been accounted for correctly in the financial statements.

Financial Statements (continued)
Accounts production and audit process

The Authority has a well established and strong accounts production process. This operated well in 2014/15, and the standard of accounts and supporting working papers was high.

Officers dealt promptly and efficiently with audit queries and the audit process was completed within the planned timescales.

The Authority has implemented the recommendations in our *ISA260 Report 2013/14.*

We have raised a recommendation relating to the need for the Authority to review its arrangements for authorisation and separation of duties in relation to journal processing.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority'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 Authority has maintained its quality financial reporting process this year. We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts on 30 June 2015.
Quality of supporting working papers	We discussed Our *Accounts Audit Protocol*, with the Head of Financial Management, setting out our working paper requirements for the audit. The quality of working papers provided for the audit met the standards specified in our *Accounts Audit Protocol*.
Response to audit queries	Officers resolved all audit queries in a timely manner.

Findings in respect of the control environment for key financial systems

Our work on the control environment, specifically relating to the authorisation and segregation of duties of Journal Entries, we identified that the Authority's Journal Protocol was not in line with the actual processes in practice. We have raised the following recommendation at Appendix 1:

Recommendation: The Authority should review its current arrangements for the authorisation and segregation of duties of journal entries to satisfy itself that these are appropriate and, if required, update the Journal Protocol to reflect the actual arrangements in place.

Prior year recommendations

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

The Authority has implemented all of the recommendations in our *ISA260 Report 2013/14*.

Financial Statements (continued) Completion

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

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

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

Declaration of independence and objectivity

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

In relation to the audit of the financial statements of North Lincolnshire Council for the year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and North Lincolnshire Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

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

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Director of Policy and Resources 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 judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report.

VFM conclusion

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

We have concluded that the Authority 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 Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority 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 Authority 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

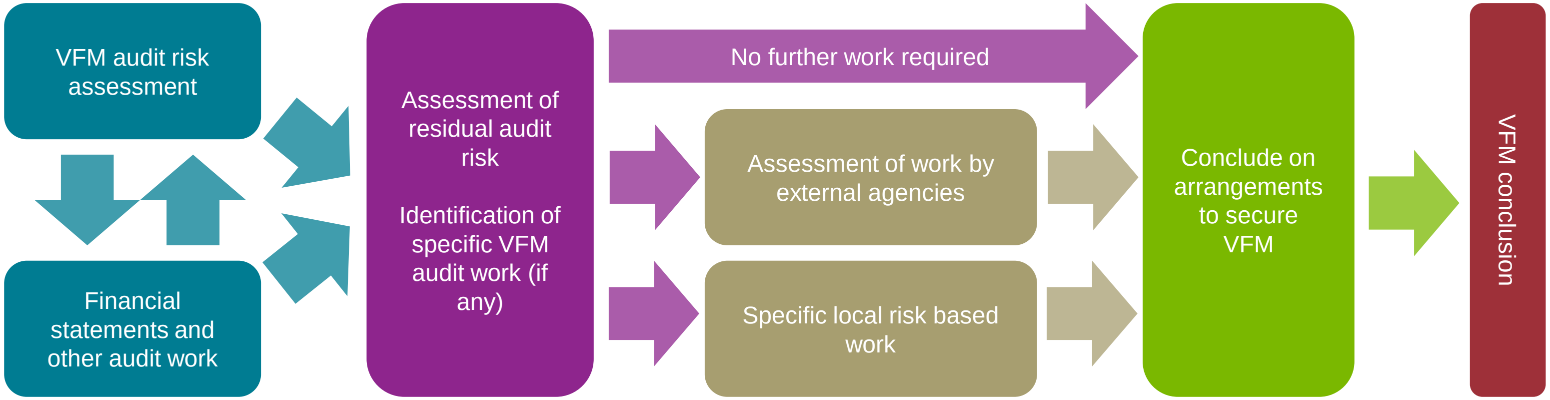
We performed a risk assessment earlier in the year and have reviewed this throughout the year.

We have not identified any significant risks to our VFM conclusion and therefore have not completed any additional work.

Conclusion

We have concluded that the Authority 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	✓



Section four

Specific VFM risks

We identified one specific VFM risk relating to financial resilience.

We are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

Work completed

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

- assessed the Authority'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; and
- considered the results of relevant work by the Authority, inspectorates and review agencies in relation to these risk areas.

Key findings

Below we set out the findings in respect of the area where we identified a specific risk for our VFM conclusion.

We concluded that we did not need to carry out additional work for this risk as there was sufficient relevant work that had completed by the Authority, inspectorates and review agencies in relation to the risk area.

Key VFM risk	Risk description and link to VFM conclusion	Assessment
	The council set a balanced budget for the four year period 2015/19. Council tax is frozen in 2015/16 but an increase of 1.8% has been included in future years. The budget assumes the use of £2.1m of reserves in the £139m net budget in 2015/16 and £1.5m in 2016/17, and maintains spending levels in those two years pending additional council tax and NNDR income from the Lincolnshire Lakes and South Humber Bank developments being received. The Council acknowledges the NNDR risks that are peculiar to the North Lincolnshire economy and has a significant provision in the Collection Fund account to cover this. However, there is a significant unknown from 2016/17 onwards in the shape of additional costs from the Care Act for example, which are currently unclear; this may require budget plans to be reviewed. These issues create a risk both the financial resilience and economy, efficiency and effectiveness criteria of the VFM conclusion.	We assessed the controls the Council has in place to ensure sound financial standing, specifically that its Medium Term Financial Plan has duly taken into consideration the potential funding reductions and that it is sufficiently robust to ensure that the Council can continue to provide services effectively. We will also review how the Council is planning and managing its savings plans. We are satisfied that the Council has satisfactory arrangements in place to ensure its finances are managed and controlled to ensure sound financial standing and value for money. **Specific risk based work required: No**

Appendix 1: Key issues and recommendations

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

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

We will formally follow up these recommendations next year.

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

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	❷	Our work on the control environment, specifically relating to the authorisation and segregation of duties of Journal Entries, we identified that the Authority's Journal Protocol was not in line with the actual processes in practice. **Recommendation** The Authority should review its current arrangements for the authorisation and segregation of duties of journal entries to satisfy itself that these are appropriate and, if required, update the Journal Protocol to reflect the actual arrangements in place.	**Management response** The council's financial procedures are currently being reviewed as part of the development of Shared Services. The arrangements for the approval and segregation of duties regarding journals form part of that review and an updated procedure will be documented and implemented in early 2016. **Responsible officer** Mark Kitching, Head of Financial Management **Due date** 1 February 2016

Appendix 2: Audit differences

This appendix sets out the audit differences.

The financial statements have been amended for all of the errors identified through the audit process.

There is no net impact on the General Fund as a result of the amendments.

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.

Uncorrected audit differences

We are pleased to report that there are no uncorrected audit differences.

Corrected audit differences

Material misstatements

(i) We identified one material audit difference relating to a £13.8m misclassification of the gross income and expenditure of some of Adult Social Care's income and expenditure which had been incorrectly mapped to Children's and Education Services in the draft financial statements. However, this had no impact on the Net Cost of Services.

Non material audit differences

(ii) Included in the sale proceeds of Non-Current Assets (shown within Other Operating Expenditure in the Comprehensive Income and Expenditure Statement was £1.1m of proceeds from the Sale of Investment Properties. As this is actually income from Investments, it should be included within the Financing and Investment Income and Expenditure account caption.

Our audit identified a small number of other non material errors in the financial statements. These have been discussed with management and the financial statements have been amended for them all.

A number of minor amendments focused on presentational improvements have also been made to the draft financial statements. Finance officers are committed to continuous improvement in the quality of the financial statements submitted for audit in future years.

Appendix 3: Declaration of independence and objectivity

The *Code of Audit Practice* requires us to exercise our professional judgement and act independently of both Public Sector Audit Appointments Ltd and the Authority.

Requirements

Auditors appointed by Public Sector Audit Appointments Ltd 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 Public Sector Audit Appointments Ltd *Terms of Appointment* ('Public Sector Audit Appointments Ltd 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. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of ISA (UK &I) 260 Communication of *Audit Matters with Those Charged with Governance*' that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

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

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the 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.

Appendix 3: Declaration of independence and objectivity (continued)

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

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

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

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

Auditor declaration

In relation to the audit of the financial statements of North Lincolnshire Council for the financial year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and North Lincolnshire Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

Appendix 4: Materiality and reporting of audit differences

For 2014/15 our materiality is £7.3 million for the Authority's accounts.

We have reported all audit differences over £350k for the Authority's accounts to the Audit Committee.

Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2014/15, issued to the Authority in February, 2015

Materiality for the Authority's accounts was set at £7.3 m which equates to around two percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £350k for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Appendix 5: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

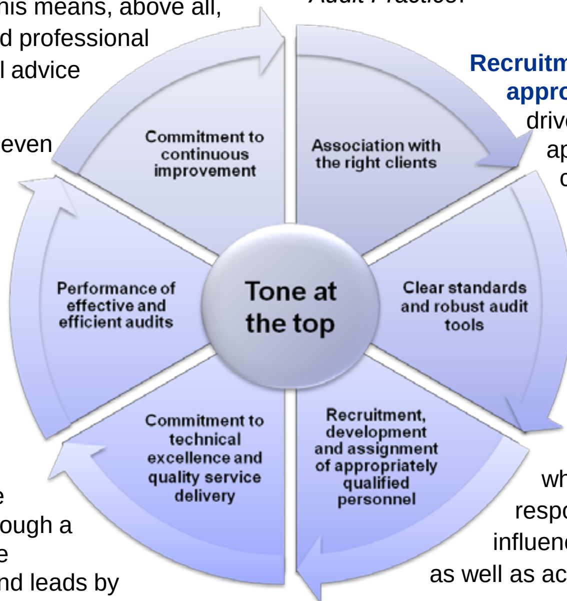
KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.



Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice. Tim Cutler as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudIT application has significantly enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

Recruitment, development and assignment of appropriately qualified personnel: One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.

- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.

- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

Appendix 5: KPMG Audit Quality Framework (continued)

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

Commitment to technical excellence and quality service delivery: Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results

Public Sector Audit Appointments Ltd publishes information on the quality of work provided by us (and all other firms) for audits undertaken on behalf of them (http://www.psaa.co.uk/audit-quality/principal-audits/kpmg-audit-quality/).

The latest Annual Regulatory Compliance and Quality Report (*issued June 2014) showed that we are meeting the overall audit quality and regulatory compliance requirements.

KPMG

cutting through complexity™

North Lincolnshire Council Statement of Accounts

Financial Year 2014/15

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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 2014/15 (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 2014/15 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. There was no movement on the council's general balances.

Additionally £2.8m 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 £74.5m deficit (£38.5m surplus in 2013/14). This is due to some of the entries that are required by International Financial Reporting Standards, primarily in connection with pensions. 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 decreased by £74.5m. Most of this decrease comes from an increase in the council's liability to the Pension scheme of £76.0m.

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 2014/15

This part of the foreword compares actual spending in the financial year 2014/15 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 council spent £1.48m or 1% less than its net revenue budget of £142.2m. The council's three main services spent £0.7m less than their budgets with central budgets spending less than their budgets by £0.74m. Services requested to carry forward £3.4m of funding to 2015-16.

People Service

Education (£86k underspend)

- The service division underspent its budget due to spending less on some grant funded activities and making vacancy savings and exceeding income targets.

Prevention & Commissioning (£83k underspend)

- This service division underspent due to vacancy savings, largely resulting from transformation of services, exceeding income targets on traded services and efficiency savings on some contracts.

Children's Services (£42k underspend)

- Despite some overspends, including on ongoing legal pressure, the service division was able to make substantial vacancy savings and achieve additional income which resulted in an overall underspend.

Adult Services (£424k underspend)

- A range of overspends were more than offset by vacancy management savings due to service restructuring and other ad hoc savings.

Places

Customer Services (£173k overspend)

- The main issue for this service was an under-achievement of income.

Community Services (£75k underspend)

- The main factors affecting the outturn for this service area included a range of forecast pressures that either did not happen or had less of an impact. These underspends were offset by some underachieved income.

Technical & Environmental (£129k underspend)

- This service division had underspends due to a delay in work on contaminated land and vacancies, partly offset by redundancy costs.

Planning & Regeneration (£37k overspend)

- The service division had a range of issues in year with pressures exceeding an over-achievement of income and vacancy management savings resulting in an overall overspend.

Strategic Projects (£10k overspend)

- The service spent less than anticipated on consultants and are requesting this is carried forward to 2015/16.

Policy and Resources

Human Resources (£25k underspend)

- The service has achieved an underspend due to vacancies and over-achievement of income offset by overspends on training and supplies and services.

Legal and Democratic (£1k underspend)

- Service spending was in line with budget.

Financial Services (£33k overspend)

- The service over-achieved on the recovery of Council Tax Court Costs and underspent on Audit Fees and Payroll system costs. These savings were offset by Redundancy costs.

Business Support (£48k underspend)

- This service underspent on staff costs as four year plan savings were achieved early. It also over-achieved on a range of income targets.

	Budget	Actual	Variance
PEOPLE	**£000's**	**£000's**	**£000's**
Education	6,199	6,113	-86
Prevention & Commissioning	9,374	9,292	-82
Children's Services	15,908	15,866	-42
Adult Services	34,767	34,343	-424
Schools	0	0	0
	66,248	**65,614**	**-634**
POLICY & RESOURCES			
Human Resources	1,770	1,745	-25
Legal and Democratic Services	3,217	3,216	-1
Financial Services	3,210	3,243	33
Business Support	4,315	4,267	-48
	12,512	**12,471**	**-41**
PLACES			
Customer Services	5,616	5,789	173
Community Services	25,634	25,559	-75
Technical & Environmental Serv	4,430	4,301	-129
Planning & Regeneration	3,394	3,431	37
Strategic Projects	781	771	-10
	39,855	**39,851**	**-4**
Service Totals	**118,615**	**117,936**	**-679**
CORPORATE			
Corporate & Miscellaneous	14,592	14,025	-567
Capital Financing	13,141	12,997	-144
Contingency	697	0	-697
Use of Reserves	-4,802	-4,132	670
	23,628	**22,890**	**-738**
Service Total	**142,243**	**140,826**	**-1,417**
FUNDING			
Council Tax	-57,749	-57,749	0
Retained Business Rates	-43,825	-43,825	0
Revenue Support Grant	-36,271	-36,185	86
Other grants	-4,398	-4,551	-153
	-142,243	**-142,310**	**-67**
Grand Total	**0**	**-1,484**	**-1,484**
Memorandum items			
Schools	67,333	67,379	46
Public Health	9,005	8,275	-730

Capital

Expenditure on the capital programme was £71.02m or 84.6% of the £83.92m approved budget.

The total value of spending on schemes which were over budget was £0.19m and those under budget £13.09m. This however is largely a timing issue with some schemes progressing ahead of schedule and others needing to be re-phased into later years. The value of forward re-phasing amounts to £0.08m while re-phasing to later years amounts to £12.58m.

The main programme variances were:

1. **People (-£2.94m, -16%)**
   Underspends
   - Devolved Formula Capital (£0.97m): Schools are able to use their Devolved Formula Capital (DFC) over a period of 3 years and some schools will be accumulating budget for larger schemes.

2. **Places (-£9.85m, -15%)**
   Underspends
   - Building Foundations for Growth (£1.69m): The final milestones were not achieved until after 31st March 2015. Expenditure is now expected in the first quarter of 2015/16.
   - BDUK North Lincolnshire Broadband (£1.34m): Cost savings have been achieved on the current scheme. Funding is to be slipped for use in the next phase of broadband rollout.
   - M181 De-trunking: Lakeside First Phase (£1.0m): There have been delays to the commencement of the scheme, as this forms part of the wider Lincolnshire Lakes scheme.
   - Crowle Market Place Phase 2 (£0.87m): There have been delays in letting contracts. These are now in progress and to be utilised in 15/16.
   - UTC Construction (£0.67m): Contractor payments have been made later than planned due to delays in achieving key milestones. However, the overall project is still on target as per the original programme and funding is to be slipped into 2015/16 for completion of the scheme.
   - Local Transport Plan (£0.62m): Ongoing engineering issues with Melton Ross bridge are still being looked at as the optimum solution has yet to be identified. There are more savings than anticipated at the end of financial year on Highway related schemes, due to weather conditions and works taking longer than anticipated.

Capital Programme 2014/15

Planned programme	**Budget 2014/15 £000's**	**Actual 2014/15 £000's**	**Difference 2014/15 £000's**	**%**	**Re-phasing £000's**
People Services	18,464	15,524	-2,940	-16%	-2,455
Policy & Resources	485	381	-104	-21%	-109
Places	64,970	55,117	-9,853	-15%	-9,935
Total	83,919	71,022	-12,897	-15%	-12,499
Funding Analysis					
Grant Funding	48,690	42,751	-5,939	-12%	-5,747
External Funding	977	595	-382	-39%	-63
Revenue / Reserve Funding	780	0	-780	-100%	-186
Internal Borrowing	27,188	24,550	-2,638	-10%	-6,484
Property Trading Account	3,284	1,087	-2,197	-67%	-19
Capital Receipts	3,000	2,039	-961	-32%	0
Total	83,919	71,022	-12,897	-15%	-12,499

Some of the most significant schemes during the year were:

• Building Foundations for Growth	£14.9m
• Local Transport Plan	£7.8m
• Regional Growth Fund	£7.3m
• Building Schools for the Future - Construction	£5.9m
• School & Children's Centre Investment	£5.7m
• University Technical College - Construction	£5.4m
• BDUK North Lincolnshire Broadband	£4.7m
• Intermediate Care Unit	£3.9m
• Trent and Humber Flood Works and Drainage	£2.0m

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

• Building Foundations Growth	£1.7m
• BDUK North Lincs Broadband	£1.3m
• M181 de-trunking	£1.0m
• Crowle Market Place Phase II	£0.9m

These underspends are largely due to timing.

In keeping with established practice for the financing of the 2014/15 capital programme resources have been deployed in the following order.

- Government grants for individual schemes and programmes
- Other External Funding
- Capital receipts from the sale of council assets
- Limited use has been made of direct revenue funding
- Internal Borrowing – reflects the use of cash balances instead of external borrowing (i.e. the difference between the capital financing requirement and the real 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 2014/15

The Council's performance against key indicators has continued to improve, with 69% of our key performance measures improved year-on-year and 81% of these measures were on target or were within tolerance. This is again a positive outcome.

Budget 2015/16

At Council on 24th February members approved a net revenue budget of £138.7m for 2015/16. Compared to the approved budget the in-year position remains positive and the approved budget remains deliverable.

Integral to delivering the budget there are 64 savings initiatives totalling £6.6m; there are also 12 (£0.7m) 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 2014/15 the difference between the council's underlying need to borrow and its actual borrowing was £71.9m. 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 2014/15 was £105.9m.

Pensions

This year the liability has increased by £76.0m. 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 £20.6m this year. There were £37.8m of additions including expenditure on the Building Schools for the future (BSF), roads, various schools, various sports facilities and vehicles.

Future Prospects

Revenue Budget 2015-19

Future prospects remain fair, the moderate underspend in 2014/15 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 £61.8m in 2015-16 to £52.4m in 2018-19. In the same period the council's net budget increases from £139.1m to £139.7m. The funding assumptions made in the budget will need to be closely monitored to ensure they remain deliverable.

Item	Proposed Budget 2015/16 £000's	Proposed Budget 2016/17 £000's	Proposed Budget 2017/18 £000's	Proposed Budget 2018/19 £000's
PEOPLE SERVICES				
Education	5,949	5,597	5,547	5,547
Prevention & Commissioning	9,429	9,194	9,069	8,969
Childrens Services	16,292	16,145	16,045	16,045
Adult Services	30,925	30,373	29,923	29,573
Total People Services	62,595	61,309	60,584	60,134
POLICY & RESOURCES				
Human Resources	1,615	1,463	1,381	1,337
Legal Services	3,114	2,590	2,580	2,580
Financial Services	2,800	2,524	2,494	2,395
Business Support	3,959	3,625	3,542	3,302
Total Policy & Resources	11,488	10,202	9,997	9,614
PLACES				
Customer Services	4,943	4,364	4,164	4,048
Community Services	24,674	24,220	24,084	23,691
Technical and Environmental Services	4,168	3,909	3,886	3,736
Planning & Regeneration	3,063	3,044	2,874	2,704
Special Projects (BSF & Waste)	156	156	156	156
Total Places	37,004	35,693	35,164	34,335
CENTRAL BUDGETS				
Corporate Budgets & Levies	13,871	12,379	12,578	13,421
Capital Financing	13,482	14,433	14,267	14,379
Contingency	700	3,800	5,794	7,796
Public Health	0	0	0	0
Total Central Budgets	28,053	30,612	32,639	35,596
Total Net Budget	139,140	137,816	138,384	139,679
Use of Reserves	2,088	1,461	135	0
Estimated Funding				
Revenue Support Grant	25,337	19,877	15,509	12,301
Base Line Funding Level (NNDR)	30,107	30,859	31,630	32,421
Carbon Reduction	-123	-123	-123	-123
Rural Grants 2014/15	5	5	5	5
Council tax freeze grant 13/14,	672	672	672	672
Council tax freeze grant 14/15,	672	672	672	672
Other Un-ring Fenced Grants	168	168	168	168
Total Settlement Funding Assessment	56,838	52,130	48,533	46,116
Base Funding Assumptions				
Council Tax: Zero,1.8%,1.8%,1.8%	57,914	59,250	60,617	62,016
Council Tax Surplus	817	500	0	0
Freeze Grant 2015/16	676	676	676	676
New Homes Bonus Returned Funding	98	0	0	0
NNDR	3,298	3,889	3,889	3,889
New Homes Bonus	2,637	2,637	2,848	3,215
Business Rate Retention: Tariff & Levies	11,264	11,380	12,287	12,736
Education Services Grant	1,540	1,440	1,340	1,240
Total Base Funding	78,244	79,772	81,657	83,772
Growth Through New Developments				
Council Tax: Zero,1.8%,1.8%,1.8%	0	1,375	2,601	3,789
NNDR	1,970	2,348	4,411	4,845
New Homes Bonus	0	730	1,047	1,157
Total Growth in Funding	1,970	4,453	8,059	9,791
Total Funding	139,140	137,816	138,384	139,679

Reserves

General Council reserves remain at £6.9m.

Other earmarked reserves total £37.2m, of these the revenue account support reserve is £12.3m. £9.4m of which is committed in the forward financial plan. Other significant usable reserves include £10.2m of revenue grants paid in advance, £2.7m of carried forward underspends from 14-15 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.

Capital Programme 2015-19

Planned programme	2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's
People Services	9,532	2,241	2,241	2,741
Policy & Resources	789	710	400	350
Places	61,470	47,656	17,203	10,341
Total	71,791	50,607	19,844	13,432
Funding Analysis				
Grant Funding	31,466	30,082	8,604	8,166
External Funding	3,187	2,995	3,219	495
Revenue / Reserve Funding	5,779	28	28	0
Internal and External Borrowing	25,123	12,252	4,993	1,771
Property Trading Account	1,736	750	0	0
Capital Receipts	4,500	4,500	3,000	3,000
Total	71,791	50,607	19,844	13,432

Other Future Developments

The Public Sector as a whole has changed dramatically over the term of the last parliament and that change seems certain to continue for at least the next parliament. A part of the change has been and will continue to be a significant reduction in public spending. This council has a good track record of achieving savings, keeping council tax low and still improving levels of performance. The council's financial plans include provision to meet all known future reductions in Government Grant. A portion of these savings will be found by the council sharing its central support functions, Finance, Human Resources, Information Technology and Legal with North East Lincolnshire Council.

The council spent slightly less than it had budgeted for in-year and increased its revenue reserves at the same time. This alongside its good financial track record leaves it in a good position to cope with any additional savings it may need to make.

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.

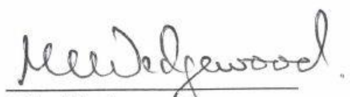
The Director of Policy and Resources has also:

- 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 2015 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.



Mike Wedgewood
Director of Policy and Resources
Date of authorisation: 29th June 2015

Authority Approval of Statement of Accounts

These accounts will be approved for publication by the Council's Audit Committee in September 2015.

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Councillor T. Foster
Audit Committee (Deputy Chairman)

Date of approval: 22nd September 2015

North Lincolnshire Council Annual Governance Statement 2014/15

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

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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 2013	**6,858**	**28,113**	**1,192**	**20,912**	**57,075**	**39,601**	**96,676**
Movement in reserves during the year							
Surplus or (deficit) on the provision of services	(25,517)				**(25,517)**		**(25,517)**
Other Comprehensive Income and Expenditure			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)	(6,357)	6,357			**0**		**0**
Increase/(Decrease) in Year	**(0)**	**6,357**	**307**	**(6,161)**	**503**	**38,016**	**38,519**
Balance as at 31 March 2014	**6,858**	**34,470**	**1,499**	**14,751**	**57,578**	**77,617**	**135,195**
Movement in reserves during the year							
Surplus or (deficit) on the provision of services	(23,490)				**(23,490)**		**(23,490)**
Other Comprehensive Income and Expenditure			0		**0**	(51,048)	**(51,048)**
Total Comprehensive Income and Expenditure	**(23,490)**	**0**	**0**	**0**	**(23,490)**	**(51,048)**	**(74,538)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	26,264		(1,499)	(5,034)	**19,731**	(19,731)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**2,774**	**0**	**(1,499)**	**(5,034)**	**(3,759)**	**(70,779)**	**(74,538)**
Transfers to or from earmarked reserves (Note 8)	(2,774)	2,774			**0**		**0**
Increase/(Decrease) in Year	**(0)**	**2,774**	**(1,499)**	**(5,034)**	**(3,759)**	**(70,779)**	**(74,538)**
Balance Sheet as at 31 March 2015	**6,858**	**37,244**	**0**	**9,717**	**53,819**	**6,838**	**60,657**

Comprehensive Income and Expenditure Statement

	Notes	2014/15 £000 Expenditure	£000 Income	£000 Net	2013/14 £000 Expenditure	£000 Income	£000 Net
Central services to the public		3,967	(2,189)	1,778	3,594	(1,312)	2,282
Cultural and related services		14,798	(5,308)	9,490	18,025	(5,480)	12,545
Environment and regulatory services		25,820	(3,508)	22,312	24,690	(3,482)	21,208
Planning Services		34,043	(2,410)	31,633	9,639	(2,523)	7,116
Children's and education services		126,317	(88,048)	38,269	143,118	(85,411)	57,707
Highways and transport services		17,269	(1,862)	15,407	17,638	(2,689)	14,949
Other housing services		52,697	(47,057)	5,640	52,306	(45,338)	6,968
Adult Social Care		57,177	(19,018)	38,159	58,428	(20,204)	38,224
Public Health		5,390	(5,898)	(508)	4,223	(5,676)	(1,453)
Corporate and democratic core		7,369	(4,811)	2,558	7,594	(3,860)	3,734
Non distributed costs		13	(294)	(281)	532	(1,526)	(994)
Cost of Services		**344,860**	**(180,403)**	**164,457**	**339,787**	**(177,501)**	**162,286**
Other Operating Expenditure	**9**	19,147		19,147	14,783		14,783
Financing and Investment Income and Expenditure	**10**	29,372	(16,912)	12,460	33,527	(18,091)	15,436
Taxation and Non-Specific Grant Income and Expenditure	**11**	10,697	(183,271)	(172,574)	9,775	(176,763)	(166,988)
(Surplus) or Deficit on Provision of Services		**404,076**	**(380,586)**	**23,490**	**397,872**	**(372,355)**	**25,517**
Surplus or deficit on revaluation of Property, Plant and Equipment	**12**			(13,637)			(13,159)
Impairment losses on non-current assets charged to the Revaluation Reserve	**12**			(2,897)			1,860
Remeasurement of the net defined benefit liability/(asset)	**48**			67,582			(52,737)
Other Comprehensive Income and Expenditure				**51,048**			**(64,036)**
Total Comprehensive Income and Expenditure				**74,538**			**(38,519)**

Balance Sheet

	Notes	31st March 2015 £000	31st March 2014 £000
Property, Plant & Equipment	**12/12a**	422,387	405,243
Heritage Assets	**13**	1,039	1,039
Investment Property	**14**	41,804	38,422
Intangible Assets	**15**	313	195
Assets held for sale	**21**	8,030	7,198
Long Term Investments	**16**	64	14
Long Term Debtors	**16**	58	354
Long Term Assets		**473,695**	**452,465**
Inventories	**17**	448	676
Short Term Debtors	**19**	23,413	19,429
Cash and Cash Equivalents	**20**	0	16,587
Current Assets		**23,861**	**36,692**
Cash and Cash Equivalents	**20**	1,341	0
Short Term Borrowing	**16**	2,533	2,004
Other Short Term Liabilities	**16**	56	108
Short Term Creditors	**22**	33,486	27,118
Provisions	**23**	1,237	4,451
Current Liabilities		**38,653**	**33,681**
Provisions	**23**	6,905	2,396
Long Term Borrowing	**16**	103,399	105,847
Other Long Term Liabilities	**16/48**	287,942	212,038
Long Term Liabilities		**398,246**	**320,281**
Net Assets		**60,657**	**135,195**
Usable Reserves	**24/25**	53,819	57,578
Unusable Reserves	**24/25**	6,838	77,617
Total Reserves		**60,657**	**135,195**

Cash Flow Statement

31/03/2014 £000		Note	31/03/2015 £000
(25,517)	Net surplus or (deficit) on the provision of services		(23,490)
61,956	Adjustment to surplus or deficit on the provision of services for noncash movements	26	40,764
(27,630)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(39,937)
8,809	Net Cash flows from operating activities		(22,663)
(3,756)	Net Cash flows from Investing Activities	27	4,019
(1,877)	Net Cash flows from Financing Activities	28	716
3,176	Net increase or decrease in cash and cash equivalents		(17,928)
13,411	Cash and cash equivalents at the beginning of the reporting period		16,587
16,587	Cash and cash equivalents at the end of the reporting period		(1,341)

Notes to the Accounts

Note 1 Accounting Policies

i. General Principles

The Statement of Accounts summarises the authority's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. 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 2014/15, the Service Reporting Code of Practice 2014/15, 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 will be provided for acquired operations (or transferred operations under combinations of public sector bodies) during the financial year.

Discontinued operations

Additional policy detail will be provided for 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 six 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 an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance [MRP or loans fund principal], by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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 Page 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 – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of determined 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 (eg 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

The authority has no material interests in other companies or entities that require it to prepare group accounts. Details of any other interests are explained within the notes to the accounts where relevant.

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 2014/15 (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 (i.e. it will not lead to a variation in the cash flows of the authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the authority. Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income 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 normally charged in the first full year of operational use, except where stated, and calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by a suitably qualified officer.
- 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. Depreciation is charged on vehicles from the point of initial use.
- infrastructure – straight-line allocation over its technically assessed life.

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell.
Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.
If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.
Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (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

The authority has no Private Finance Initiatives (PFI) or similar contracts

xxii. Provisions, Contingent Liabilities and Contingent Assets

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 (eg 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 13 Fair Value Measurement (May 2011): This standard applies to IFRSs that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The Standard defines fair value on the basis of an 'exit price' notion and uses a 'fair value hierarchy', which results in a market-based, rather than entity-specific, measurement.
- Annual Improvements to IFRSs (2011 – 2013 Cycle)
- IFRIC 21 Levies: This standard provides guidance on when to recognise a liability for a levy imposed by a government.

The issues included in the Annual Improvements to IFRSs 2011 – 2013 cycle are:

- IFRS 1: Meaning of effective IFRSs;
- IFRS 3: Scope exceptions for joint ventures;
- IFRS 13: Scope of paragraph 52 (portfolio exception); and
- IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property

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 remains 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 2015 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 £0.785m 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 2014/15, the authority's actuaries advised that the net pensions liability had increased by £101m as a result of updating of the assumptions.
Arrears	At 31 March 2015, the authority had a balance of sundry debtors for £10.5m. A review of significant balances suggested that an impairment of doubtful debts of £0.5m was appropriate. However 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 £0.5m to set aside as an allowance.
National Non Domestic Rates (NNDR) Provision	The council set aside, from its collection fund, £13.3m 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 £6.5m 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

2014/15	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	13,407			(13,407)
Revaluation losses on Property Plant and Equipment	1,170			(1,170)
Movements in the Fair Value of Investment Properties	166			(166)
Amortisation of Intangible Assets	38			(38)
Capital grants and contributions applied	(30,226)			30,226
Income in relation to donated assets	0			0
Revenue expenditure funded from capital under statute	33,212			(33,212)
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	18,040			(18,040)
Loans/Lease principal repayments during the year				0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory Provision for the Financing of Capital Investment	(6,945)			6,945
Capital expenditure charged against the General Fund balance	0			0
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(8,085)		8,085	
Application of grants to capital financing transferred to the Capital Adjustment Account			(13,119)	13,119
Adjustments involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,694)	1,694		
Use of the Capital Receipts Reserve to finance new capital expenditure		(3,125)		3,125
Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	68	(68)		
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)	25,650			(25,650)
Employer's pensions contributions and direct payments to pensioners payable in the year	(17,272)			17,272
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	(1,440)			1,440
Adjustment involving the Accumulated Absences Account				
Amount by which officer renumeration 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	175			(175)
Total Adjustments	**26,264**	**(1,499)**	**(5,034)**	**(19,731)**

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	24,370			(24,370)
Revaluation losses on Property Plant and Equipment	5,992			(5,992)
Movements in the Fair Value of Investment Properties	685			(685)
Amortisation of Intangible Assets	94			(94)
Capital grants and contributions applied	(23,874)			23,874
Revenue expenditure funded from capital under statute	11,601			(11,601)
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			(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 primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(2,954)		2,954	
Application of grants to capital financing transferred to the Capital Adjustment Account			(9,115)	9,115
Adjustments involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,263)	2,263		
Use of the Capital Receipts Reserve to finance new capital expenditure		(5,308)		5,308
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 48)	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 and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	(510)			510
Adjustment involving the Accumulated Absences Account				
Amount by which officer renumeration 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	1,053			(1,053)
Total Adjustments	**31,874**	**307**	**(6,161)**	**(26,020)**

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 2014/15.

		2013/14			2014/15		
	Balance as at 1 April 2014 £000	Transfers In £000	Transfers Out £000	Balance as at 31 March 2014 £000	Transfers In £000	Transfers Out £000	Balance as at 31 March 2015 £000
Revenue Support Reserve	9,727	3,609	(989)	12,347	3,392	(3,446)	12,293
Revenue Grants	6,521	5,970	(1,194)	11,297	1,963	(3,081)	10,179
Schools Delegated Reserve	3,164	0	(69)	3,095	196	(243)	3,048
Dedicated Schools Grant	1,315	1,274	(334)	2,255	1,728	(961)	3,022
General Carry Forwards	1,726	736	(1,726)	736	2,736	(736)	2,736
Public Health	0	1,519	0	1,519	1,625	(835)	2,309
Insurance	1,173	0	0	1,173	0	0	1,173
Safety Camera Partnership	666	236	0	902	1,064	(902)	1,064
Self Insurance	571	0	(421)	150	134	0	284
Dedicated Schools Grant-Delegated	0	58	0	58	182	0	240
Scunthorpe Special Expenses	182	41	(13)	210	11	(16)	205
Legal Services Reserve	250	0	(78)	172	0	0	172
Pumping Stations	101	26	0	127	29	0	156
Shared Service Development	90	0	0	90	23	0	113
Flood Reserve	0	101	0	101	0	0	101
Commuted Sums	30	0	0	30	40	0	70
Property Trading Account	365	0	(292)	73	0	(31)	42
Crematorium Enhancement Fund	34	1	0	35	2	0	37
BDUK Reserve	0	100	0	100	0	(100)	0
Performance Reward Grant	72	0	(72)	0	0	0	0
HRA Closure Reserve	125	0	(125)	0	0	0	0
Impairment Reserve	2,001	0	(2,001)	0	0	0	0
Total Earmarked Reserves	**28,113**	**13,671**	**(7,314)**	**34,470**	**13,125**	**(10,351)**	**37,244**

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

	2014/15 £000	2013/14 £000
Levies	1,252	1,222
Payments to the Government Housing Capital Receipts Pool	2	0
Parish council precepts	1,237	1,187
(Gains)/losses on the disposal of non-current assets	16,656	12,374
	19,147	**14,783**

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

	2014/15 £000	2013/14 £000
Net Proceeds from Sale General	(599)	(673)
Disposal costs	68	0
Carrying amount of non-current assets sold (excluding Investment Properties)	17,187	13,047
	16,656	**12,374**

Parish Precepts

	2014/15 £000	2013/14 £000
Alkborough	4	4
Amcotts	2	2
Appleby	6	5
Ashby Parkland	3	1
Barnetby-le-wold	21	21
Barrow-on-Humber	29	12
Barton-upon-Humber	138	135
Belton	14	14
Bonby	11	10
Bottesford	92	91
Brigg	102	100
Broughton	88	86
Burringham	10	10
Burton-upon-Stather	42	41
Cadney-cum-Howsham	6	6
Crowle	56	55
East Butterwick	1	1
East Halton	3	3
Eastoft	3	3
Elsham	6	6
Epworth	52	51
Flixborough	11	11
Garthorpe & Fockerby	6	6
Goxhill	40	39
Gunness	27	27
Haxey	32	32
Hibaldstow	13	13
Holme	0	0
Horkstow	1	1
Keadby with Althorpe	24	23
Kirmington & Croxton	7	8
Kirton-in-Lindsey	84	66
Luddington	3	3
Manton	0	0
Melton Ross	3	2
Messingham	43	43
New Holland	8	7
North Killingholme	4	5
Owston Ferry	11	11
Redbourne	7	7
Roxby-cum-Risby	5	5
Saxby-all-Saints	3	3
Scawby-cum-Sturton	26	26
South Ferriby	11	11
South Killingholme	11	11
Thornton Curtis	2	2
Ulceby	10	11
West Butterwick	0	0
West Halton	4	5
Whitton	2	2
Winteringham	11	11
Winterton	105	104
Wootton	4	3
Worlaby	10	10
Wrawby	10	12
Wroot	10	10
Total	**1,237**	**1,187**

Note 10 Financing and Investment Income and Expenditure

	2014/15			2013/14		
	Expenditure £000	**Income** £000	**Net** £000	**Expenditure** £000	**Income** £000	**Net** £000
Interest payable and similar charges	6,064		6,064	5,929		5,929
Net interest on the net defined benefit liability (asset)	9,083		9,083	11,385		11,385
Interest receivable and similar income		(139)	(139)		(143)	(143)
Income and expenditure in relation to investment properties and changes in their fair value	1,387	(3,420)	(2,033)	3,459	(4,710)	(1,251)
Other investment income	12,838	(13,353)	(515)	12,754	(13,238)	(484)
Total	**29,372**	**(16,912)**	**12,460**	**33,527**	**(18,091)**	**15,436**

Further details are included in the tables below:

	2014/15 £000	2013/14 £000
Reversal of Impairment	0	(279)
Loan Interest	6,064	6,155
Amortised Premium	0	53
	6,064	**5,929**

	2014/15 £000	2013/14 £000
Net interest on the net defined benefit liability (asset)	9,083	11,385
	9,083	**11,385**

	2014/15 £000	2013/14 £000
Bank interest	0	0
Loans	0	0
Other Investment income	(139)	(143)
Interest received under leasing arrangements	0	0
	(139)	**(143)**

Income, Expenditure and changes in Fair Value of Investment Properties

	2014/15 £000	2013/14 £000
Income including rental income	(3,178)	(3,120)
Expenditure	1,221	1,641
Net income from investment properties	**(1,957)**	**(1,479)**
(Surplus)/deficit on sale of Investment Properties:		
Proceeds from sale	(1,095)	(1,590)
Carrying amount of investment properties sold	853	1,133
(Surplus)/deficit on sale of Investment Properties:	**(242)**	**(457)**
Changes in Fair Value of Investment Properties	**166**	**685**
	(2,033)	**(1,251)**

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

	2014/15 £000	2013/14 £000
Income from trading	(13,353)	(13,238)
Expenditure	12,838	12,754
(Surplus)/Deficit for the year	**(515)**	**(484)**

Note 11 Taxation and Non-specific Grant Income and Expenditure

Taxation and Non-Specific Grant Income and Expenditure	2014/15 £000	2013/14 £000
Income		
Council Tax Income	59,488	58,530
Non Domestic Rates Income and Expenditure	31,673	30,004
Non-ringfenced government grants	43,102	51,626
Capital Grants and Contributions	38,311	26,828
Total Taxation and Non-Specific Grant Income and Expenditure	**172,574**	**166,988**

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

Council Tax	2014/15 £000	2013/14 £000
Current year	58,309	57,726
Other Movement	1,179	804
Total	**59,488**	**58,530**

NNDR income/expenditure	2014/15 £000	2013/14 £000
Income:		
NDR Proportionate Share	40,691	39,741
NDR Surplus	914	16
Renewable Energy Disregard	747	22
Enterprise Zone Disregard	18	0
Total NDR Income	**42,370**	**39,779**
Expenditure:		
Tariff	9,636	9,452
Non Domestic Rate Levy	1,061	323
Total NDR Expenditure	**10,697**	**9,775**

Non-ringfenced grants	2014/15 £000	2013/14 £000
Revenue Support Grant	36,185	43,787
Other non-ringfenced grants	2,336	5,151
New Homes Bonus	2,371	2,014
Council Tax Reduction Grant	672	674
Business Rates Retention Grant	1,538	0
Total	**43,102**	**51,626**

Capital Grants and Donated Assets-Applied	2014/15 £000	2013/14 £000
Government & Other Grants-Conditions met and applied in year	30,226	23,874
Total	**30,226**	**23,874**

Capital Grants-Unapplied	2014/15 £000	2013/14 £000
Government & Other Grants-Conditions met and **not** applied.	8,085	2,954
Total	**8,085**	**2,954**

Note 12 Property, Plant and Equipment

Current Year

	Property, Plant & Equipment (PP&E)									
	Other Land and Buildings £000	Infrastructure Assets £000	Vehicles, Plant & Equipment £000	Community Assets £000	PP&E Under Construction £000	Surplus Assets £000	**Total PP&E £000**	**Investment Properties £000**	**Intangible Assets £000**	**TOTAL £000**
Cost or Valuation										
Balance as at 1 April 2014	353,647	85,249	12,225	1,331	1,104	8,662	**462,218**	**38,422**	**410**	**501,050**
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	**0**	**0**	**45**	**45**
Adjusted opening balance	**353,647**	**85,249**	**12,225**	**1,331**	**1,104**	**8,662**	**462,218**	**38,422**	**455**	**501,095**
Additions (Note 41)	18,616	12,304	1,804	61	1,335	390	**34,510**	3,085	**156**	**37,751**
Donations	0	0	0	0		0	**0**			**0**
Revaluation increases/decreases to Revaluation Reserve	4,133	78	0	2	0	2,845	**7,058**	0	**0**	**7,058**
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	1,553	(34)	(55)	3	(1,335)	42	**174**	(649)	**0**	**(475)**
Derecognition - Disposals	(18,717)	(280)	(978)	0	0	(101)	**(20,076)**	(853)	**(100)**	**(21,029)**
Derecognition - Other	0	0	0	0	0	0	**0**	0		**0**
Reclassifications & Transfers	(4,134)	0	(53)	256	1,096	1,036	**(1,799)**	1,799		**0**
Reclassified to/from Held for Sale	(96)	0	0	0	0	(2,324)	**(2,420)**	0	**0**	**(2,420)**
Other movements	0	0	0	0	0	0	**0**	0		**0**
Balance as at 31 March 2015	**355,002**	**97,317**	**12,943**	**1,653**	**2,200**	**10,550**	**479,665**	**41,804**	**511**	**521,980**
Depreciation and Impairment										
Balance as at 1 April 2014	32,460	18,837	5,491	0	0	187	**56,975**	**0**	**215**	**57,190**
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	**0**	**0**	**45**	**45**
Adjusted opening balance	32,460	18,837	5,491	0	0	187	**56,975**	0	260	**57,235**
Depreciation Charge	9,020	5,022	1,991	0	0	96	**16,129**	0	**38**	**16,167**
Depreciation written out on Revaluation Reserve	(6,386)	0	0	0	0	(80)	**(6,466)**	0	**0**	**(6,466)**
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	198	0	(42)	0	0	0	**156**	(115)	**0**	**41**
Impairment losses/reversals to Revaluation Reserve	(2,731)	0	0	0	0	(166)	**(2,897)**	0	**0**	**(2,897)**
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	(4,213)	0	0	0	0	1,491	**(2,722)**	(368)	**0**	**(3,090)**
Derecognition - Disposals	(2,617)	(280)	(495)	0	0	0	**(3,392)**	0	**(100)**	**(3,492)**
Derecognition - Other	0	0	0	0	0	0	**0**	0		**0**
Reclassifications & Transfers	(620)	0	0	0	0	93	**(527)**	483	**0**	**(44)**
Eliminated on reclassification to Held for Sale	22	0	0	0	0	0	**22**	0	**0**	**22**
Balance as at 31 March 2015	**25,133**	**23,579**	**6,945**	**0**	**0**	**1,621**	**57,278**	**0**	**198**	**57,476**
Net Book Value										
Balance as at 31 March 2015	**329,869**	**73,738**	**5,998**	**1,653**	**2,200**	**8,929**	**422,387**	**41,804**	**313**	**464,504**
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**

Comparator 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 41)	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**

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 2015, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/15 and future years budgeted to cost £8.4m. The major commitments relate to:-

- University Technical College £4.4m
- Humberside Airport £2.1m
- Holme Valley Primary School £0.7m
- 20/21 Arts Centre £0.5m
- St Peter & St Pauls Primary School £0.4m
- 6 Market Place Crowle £0.3m

Impairments

The three largest impairments to property, plant and equipment in 2014/15 were:

£843k	Riddings Infants School
£460k	Brumby Resource Centre
£219k	Station Road Depot-Main Depot

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 2013	159	880	0	1,039
Movements	0	0	0	0
Balance as at 31 March 2014	**159**	**880**	**0**	**1,039**
Cost or Valuation				
Balance as At 1 April 2014	159	880	0	1,039
Movements	0	0	0	0
Balance as at 31 March 2015	**159**	**880**	**0**	**1,039**

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

Museum Collection

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 and Expenditure from Investment Properties

	2014/15 £000	2013/14 £000
Rental income from investment property	(3,178)	(3,120)
Direct operating expenses arising from investment property	1,221	1,641
Net (Gain)/Loss	**(1,957)**	**(1,479)**

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:

	2014/15 £000	2013/14 £000
Balance at start of the year	38,422	41,304
Additions:		
- Purchases	985	175
- Construction	2,100	14
- Subsequent expenditure	0	0
Disposals	(853)	(1,133)
Net (gains)/losses from fair value adjustments	(166)	(685)
Transfers:		
- to/from Property, Plant and Equipment	1,316	(1,253)
Other changes	0	0
Balance at end of the year	41,804	38,422

Note 15 Intangible Assets

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

	2014/15 Total £000	2013/14 Total £000
Balance at start of year:		
· Gross carrying amounts	455	413
· Accumulated amortisation	(260)	(231)
Net carrying amount at start of year	**195**	**182**
Additions:		
· Purchases	156	107
	351	**289**
Other disposals	(100)	0
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	0	(65)
Amortisation for the period	(38)	(29)
Amortisation written off on disposal	100	0
Net carrying amount at end of year	**313**	**195**
Comprising:		
· Gross carrying amounts	511	455
· Accumulated amortisation	(198)	(260)
	313	**195**

Note 16 Financial Instruments

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

	Long-term 31/03/15 £000	Long-term 31/03/14 £000	Current 31/03/15 £000	Current 31/03/14 £000
Investments				
Unquoted equity investment at cost	64	14	0	0
Total investments	**64**	**14**	**0**	**0**
Debtors				
Loans and receivables	58	354	0	0
Financial assets carried at contract amounts	0	0	14,953	11,899
Total Debtors	**58**	**354**	**14,953**	**11,899**
Borrowings				
Financial liabilities at amortised cost	103,399	105,847	2,533	2,004
Total borrowings	**103,399**	**105,847**	**2,533**	**2,004**
Other Long Term Liabilities				
PFI and finance lease liabilities	0	56	56	108
Total other long term liabilities	**103,399**	**105,903**	**2,589**	**2,112**
Creditors				
Financial liabilities carried at contract amount	0	0	33,486	27,118
Total creditors	**0**	**0**	**33,486**	**27,118**

Amounts relating to Financial Instruments recognised in the Income and Expenditure Account

	2014/15 Financial Liabilities: Liabilities measured at amortised cost £000	2014/15 Financial Assets: Available-for-sale assets £000	2014/15 Total £000	2013/14 Financial Liabilities: Liabilities measured at amortised cost £000	2013/14 Financial Assets: Available-for-sale assets £000	2013/14 Total £000
Interest expense	6,064	0	**6,064**	6,208	0	**6,208**
Impairment losses	0	0	**0**	0	0	**0**
Total expense in Surplus or Deficit on the Provision of Services	**6,064**	**0**	**6,064**	**6,208**	**0**	**6,208**
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	0	0	**0**	0	(279)	**(279)**
Surplus/(deficit) arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**0**	**0**	**0**	**0**	**(279)**	**(279)**
Net gain/(loss) for the year	**6,064**	**0**	**6,064**	**6,208**	**(279)**	**5,929**

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 2015 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.

	31/03/15		31/03/2014	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities	105,932	144,107	107,851	132,043

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:

		Balance outstanding at start of year £000	Purchases £000	Recognised as an expense in year £000	Written off balances £000	Reversals of write-offs in previous years £000	Balance outstanding at year-end £000
Highways Materials	2014/15	144	642	(630)	0	0	156
	2013/14	150	270	(269)	(7)	0	144
Waste Stock	2014/15	145	187	(143)	(48)	0	141
	2013/14	165	111	(82)	(49)	0	145
Fleet Stock	2014/15	76	888	(888)	0	0	76
	2013/14	58	1,015	(997)	0	0	76
Technical & Environment Stock	2014/15	39	37	(40)	0	0	36
	2013/14	29	12	(2)	0	0	39
Sports Facilities Trading	2014/15	25	58	(60)	0	0	23
	2013/14	26	18	(19)	0	0	25
Normanby Hall Trading	2014/15	14	125	(123)	0	0	16
	2013/14	15	121	(122)	0	0	14
Highways Salt Inventory	2014/15	123	102	(193)	(32)	0	0
	2013/14	31	220	(128)	0	0	123
Operations Stock	2014/15	61	0	(61)	0	0	0
	2013/14	70	11	(15)	(5)	0	61
Catering and Cleaning Stock	2014/15	49	1,415	(1,432)	(32)	0	0
	2013/14	48	41	(30)	(10)	0	49
Total	**2014/15**	**676**	**3,454**	**(3,570)**	**(112)**	**0**	**448**
	2013/14	**592**	**1,819**	**(1,664)**	**(71)**	**0**	**676**

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	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Central Government Bodies	0	0	4,724	960
Other Local Authorities	0	0	1,591	1,408
NHS Bodies	0	0	974	847
Other entities and individuals	0	0	7,889	8,898
Prepayments	0	0	900	1,239
Impairment of loans and receivables	0	0	(1,481)	(1,483)
Employee Car Loans	0	0	0	1
Loans and Advances	58	354	356	29
Total of Financial Instruments	**58**	**354**	**14,953**	**11,899**
NNDR & Council Tax	0	0	6,447	4,498
Value Added Tax	0	0	2,013	3,032
Non-Financial Instruments	**0**	**0**	**8,460**	**7,530**
	58	**354**	**23,413**	**19,429**

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:

	2014/15 £000	2013/14 £000
Cash and Bank balances	1,394	903
Short Term Investments	6,174	17,272
Bank Overdraft	(8,909)	(1,588)
Total	**(1,341)**	**16,587**

Note 21 Assets Held for Sale

These assets are being actively marketed for sale

	Non Current	
	2014/15 £000's	**2013/14** £000's
Balance outstanding at start of year	**7,198**	**5,747**
Additions	12	35
Transferred from Non-Current Assets during year:		
- Property Plant and Equipment	2,398	1,701
Revaluation losses	(1,188)	0
Revaluation gains	113	0
Assets sold	(503)	(285)
Balance outstanding at year-end	**8,030**	**7,198**

Note 22 Creditors

Short Term Creditors

These are amounts owed by the council in the next twelve months, to 31st March 2016.

Short Term Creditors	2014/15 £000	2013/14 £000
Central government bodies	3,849	2,857
Other local authorities	346	1,391
NHS bodies	666	1,126
NNDR & Council Tax	9,975	5,040
Accumulated Absences	3,161	2,986
Receipts in Advance	1,242	1,043
Bodies external to general government	14,247	12,675
Total Short Term Creditors	**33,486**	**27,118**

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 2014 £000	Increase in provision during year £000	Utilised during year £000	Balance as at 31 March 2015 £000
NNDR Appeals	4,452	3,193	1,133	6,512
Insurance Claims	2,216	4	676	1,544
Municipal Mutual	155	0	96	59
Other	24	27	24	27
	6,847	**3,224**	**1,929**	**8,142**
Current Provisions	4,451	(1,285)	1,929	1,237
Long Term Provisions	2,396	4,509	0	6,905
	6,847	**3,224**	**1,929**	**8,142**

Prior Year

	Balance as at 1 April 2013 £000	Increase in provision during year £000	Utilised during year £000	Balance as at 31 March 2014 £000
NNDR Appeals	0	4,452	0	4,452
Insurance Claims	1,587	629	0	2,216
Municipal Mutual	372	0	217	155
Other	68	0	44	24
	2,027	**5,081**	**261**	**6,847**
Current Provisions	808	3,904	261	4,451
Long Term Provisions	1,219	1,177	0	2,396
	2,027	**5,081**	**261**	**6,847**

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 2014/15. 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 £6.5m is the council's share of the full £13.3m appeals provision 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.

		USABLE RESERVES					UNUSABLE RESERVES								
		Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Earmarked Reserves £000	General Fund £000	TOTAL USABLE RESERVES £000	Capital Adjustment Account £000	Financial Instruments Adjustment Account £000	Revaluation Reserve £000	Pensions Reserve £000	Deferred Capital Receipts Account £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	**TOTAL UNUSABLE RESERVES £000**	**TOTAL AUTHORITY RESERVES £000**
Balance as at 1 April 2014		1,499	14,751	34,470	6,858	**57,578**	207,476	0	84,728	(211,982)	0	381	(2,986)	**77,617**	**135,195**
Movements during the year:															
Applied Capital Grants					(30,226)	**(30,226)**	30,226							**30,226**	**0**
Unapplied Capital Grants received in year			8,085		(8,085)	**0**								**0**	**0**
Unapplied Capital Grants transferred to CAA in year			(13,119)			**(13,119)**	13,119							**13,119**	**0**
Direct Revenue Financing	*7*				0	**0**	0							**0**	**0**
Depreciation & impairment adjustment	*7*				14,615	**14,615**	(14,615)							**(14,615)**	**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*				33,212	**33,212**	(33,212)							**(33,212)**	**0**
Surplus/(Deficit) on the Provision of Services					(23,490)	**(23,490)**								**0**	**(23,490)**
TRANSFER FROM Useable Capital Receipts equal to the amount payable into the Housing Capital Receipt Pool	*7*	0			0	**0**								**0**	**0**
Transfers to or from earmarked reserves				2,774	(2,774)	**0**								**0**	**0**
Net movements on Pension Reserve	*47*				8,378	**8,378**				(8,378)				**(8,378)**	**0**
Disposal of Non Current Assets/Capital Sales	*7*	1,626			16,414	**18,040**	(16,978)		(1,062)		0			**(18,040)**	**0**
Minimum Revenue Provision For Capital Financing / Loans Pool / Finance Lease / PFI	*7*				(6,945)	**(6,945)**	6,945							**6,945**	**0**
Capital Receipts used to finance capital expenditure		(3,125)				**(3,125)**	3,125							**3,125**	**0**
Amount by which council tax and 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*				(1,440)	**(1,440)**						1,440		**1,440**	**0**
Adjustments in relation to Short-term compensated absences					175	**175**							(175)	**(175)**	**0**
Movement in Investment Property Valuations					166	**166**	(166)							**(166)**	**0**
Revaluation	*12*					**0**			16,534	(67,582)				**(51,048)**	**(51,048)**
Mitigation of operating leases as lesses reclassified as finance leases upon transition to IFRS		0			0	**0**								**0**	**0**
Other Movements		0			0	**0**	2,454		(2,454)		0			**0**	**0**
Total movements on reserves during the year (Change in Net Worth)		**(1,499)**	**(5,034)**	**2,774**	**(0)**	**(3,759)**	**(9,102)**	**0**	**13,018**	**(75,960)**	**0**	**1,440**	**(175)**	**(70,779)**	**(74,538)**
Balance as at 31 March 2015		**0**	**9,717**	**37,244**	**6,858**	**53,819**	**198,374**	**0**	**97,746**	**(287,942)**	**0**	**1,821**	**(3,161)**	**6,838**	**60,657**

		USABLE RESERVES					UNUSABLE RESERVES								
		Capital Receipts Reserve	Capital Grants Unapplied Account	Earmarked Reserves	General Fund	TOTAL USABLE RESERVES	Capital Adjustment Account	Financial Instruments Adjustment Account	Revaluation Reserve	Pensions Reserve	Deferred Capital Receipts Account	Collection Fund Adjustment Account	Accumulated Absences Account	TOTAL UNUSABLE RESERVES	TOTAL AUTHORITY RESERVES
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2013		1,192	20,912	28,113	6,858	**57,075**	216,052	0	76,452	(254,193)	3,352	(129)	(1,933)	**39,601**	**96,676**
Movements during the year:															
Applied Capital Grants	***11***				(23,874)	**(23,874)**	23,874							**23,874**	**0**
Unapplied Capital Grants received in year	***11***		2,954		(2,954)	**0**								**0**	**0**
Unapplied Capital Grants transferred to CAA in year			(9,115)			**(9,115)**	9,115							**9,115**	**0**
Finance Lease Repayment	***7***				(139)	**(139)**	139							**139**	
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					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 Receipts equal to the amount payable into the Housing Capital Receipt Pool	***7***	0			0	**0**								**0**	
Transfers to or from earmarked reserves				6,357	(6,357)	**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**
						0									
Minimum Revenue Provision For Capital Financing and Finance Leases	***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 and 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***				(510)	**(510)**						510		**510**	**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**	**0**
Adjustments in relation to Short-term compensated absences					1,053	**1,053**							(1,053)	**(1,053)**	
Revaluation	***12***					**0**			11,299	52,737				**64,036**	**64,036**
Movement in Investment Property Values	***7***				685	**685**	(685)							**(685)**	**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)**	**6,357**	**(0)**	**503**	**(8,576)**	**0**	**8,276**	**42,211**	**(3,352)**	**510**	**(1,053)**	**38,016**	**38,519**
Balance as at 31 March 2014		**1,499**	**14,751**	**34,470**	**6,858**	**57,578**	**207,476**	**0**	**84,728**	**(211,982)**	**0**	**381**	**(2,986)**	**77,617**	**135,195**

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.

	31/03/2015 £000	31/03/2014 £000
Balance 1 April	**1,499**	**1,192**
Capital Receipts in year	1,626	2,263
Deferred Receipts realised	0	3,352
	3,125	**6,807**
Less:		
Capital Receipts used for financing	(3,125)	(5,308)
Balance 31 March	**0**	**1,499**

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.

	31/03/2015 £000	31/03/2014 £000
Balance on 1 April	**14,751**	**20,912**
Unapplied Capital Grants received in year	8,085	2,954
Unapplied Capital Grants transferred to CAA in year	(13,119)	(9,115)
Balance on 31 March	**9,717**	**14,751**

Unusable Reserves

	31/03/2015 £000	31/03/2014 £000
Capital Adjustment Account	198,374	207,476
Financial Instruments Adjustment Account	0	0
Revaluation Reserve	97,746	84,728
Pensions Reserve	(287,942)	(211,982)
Deferred Capital Receipts Reserve	0	0
Collection Fund Adjustment Account	1,821	381
Unequal Pay Back Pay Account	0	0
Accumulating Compensated Absences Adjustment Account	(3,161)	(2,986)
Total Unusable Reserves	**6,838**	**77,617**

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.

	31/03/2015		31/03/14	
	£000	£000	£000	£000
Balance at 1 April		**207,476**		**216,052**
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	(13,407)		(24,370)	
Revaluation losses on Property, Plant and Equipment	(1,170)		(5,992)	
Amortisation of Intangible Assets	(38)		(94)	
Revenue expenditure funded from capital under statute	(33,212)		(11,601)	
Minimum lease repayments			139	
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	(18,040)		(14,180)	
		(65,867)		**(56,098)**
Adjusting amounts written out of the Revaluation Reserve		3,516		3,023
Net written out amount of the cost of non-current assets consumed in the year		**(62,351)**		**(53,075)**
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	3,125		5,308	
Application of grants to capital financing from the Capital Grants Unapplied Account	13,119		9,115	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	30,226		23,874	
Statutory provision for the financing of capital investment charged against the General Fund balance	6,945		6,836	
Capital expenditure charged against the General Fund balance	0		51	
		53,415		**45,184**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(166)		(685)
Balance at 31 March		**198,374**		**207,476**

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.

	31/03/2015	31/03/2014
	£000	£000
Balance at 1 April	84,728	76,452
Upward revaluation of assets	16,534	11,299
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**16,534**	**11,299**
Difference between fair value depreciation and historical cost depreciation	(2,454)	(1,992)
Revaluation balances on assets scrapped or disposed of	(1,062)	(1,031)
Amount written off to the Capital Adjustment Account	**(3,516)**	**(3,023)**
Balance at 31 March	**97,746**	**84,728**

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.

	31/03/2015	31/03/2014
	£000	£000
Balance at 1 April	**(211,982)**	**(254,193)**
Re-measurements of the net defined benefit liability/(asset)	(67,582)	52,737
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	(25,650)	(27,160)
Employers pensions contributions and direct payments to pensioners payable in the year	17,272	16,634
Balance at 31 March	**(287,942)**	**(211,982)**

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.

	31/03/2015 £000	31/03/2014 £000
Balance at 1 April	0	3,352
Transfer to the Capital Receipts Reserve upon receipt of cash	0	(3,352)
Balance at 31 March	**0**	**0**

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.

	31/03/2015 £000	31/03/2014 £000
Balance at 1 April	381	**(129)**
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,440	510
Balance at 31 March	**1,821**	**381**

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.

	31/03/2015 £000	31/03/2014 £000
Balance at 1 April	**(2,986)**	**(1,933)**
Settlement or cancellation of accrual made at the end of the preceding year	2,986	1,933
Amounts accrued at the end of the current year	(3,161)	(2,986)
Balance at 31 March	**(3,161)**	**(2,986)**

Note 26 Cashflow from Operating Activities

	2014/15 £000	2013/14 £000
Interest Paid	(6,068)	(6,066)
Interest Received	139	45

	2014/15 £000	2013/14 £000
Adjustment to surplus or deficit on the provision of services for noncash movements		
Depreciation	13,407	24,370
Impairment & downward valuations	1,170	5,992
Amortisation	38	94
Increase/(Decrease) in impairment for bad debts	(2)	(313)
(Increase)/Decrease in Inventories	228	(36)
(Increase)/Decrease in Debtors	(910)	1,439
Increase/(Decrease) in Creditors	(1,046)	425
Movement in pension liability	8,378	10,526
Carrying amount of non-current assets sold	18,040	14,180
Movement in provisions	1,295	4,820
Movement in value of investments properties	166	685
Adjust for Impairment reduction on cash equivalents	0	(226)
	40,764	**61,956**
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	0	1,461
Proceeds from the sale of PP&E, investment property and intangible assets	(1,626)	(2,263)
Capital grants include in "Taxation & non-specific grant income"	(38,311)	(26,828)
	(39,937)	**(27,630)**

Note 27 Cashflow from Investing Activities

	2014/15 £000	2013/14 £000
Purchase of PP&E, investment property and intangible assets	(35,869)	(36,268)
Purchase of Long Term Investments	(50)	(4)
Proceeds from the sale of PP&E, investment property and intangible assets	1,626	2,263
Capital Grants and Contributions Received	38,311	26,901
Other Receipts from Investing Activities	1	3,352
Net Cash flows from Investing Activities	**4,019**	**(3,756)**

Note 28 Cashflow from Financing Activities

	2014/15 £000	2013/14 £000
Appropriation to/from Collection Fund Adjustment Account	(1,440)	(513)
Other Receipts from Financing Activities	0	0
Cash payments for the reduction of the outstanding liability relating to a finance lease	(108)	(130)
Repayment of Short and Long Term Borrowing	(1,967)	(1,065)
Council Tax and NNDR Adjustments	4,231	(169)
Net Cash flows from Financing Activities	**716**	**(1,877)**

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:

2014/15	People £000	Schools £000	Places £000	Policy & Resources £000	Central Budgets £000	Total £000
Fees, charges & other service income	21,457	8,295	39,812	5,308	4,778	**79,650**
Government grants	29,691	59,084	7,502	48,158	2,076	**146,511**
Total Income	**51,148**	**67,379**	**47,314**	**53,466**	**6,854**	**226,161**
Employee expenses	37,087	49,462	37,793	11,466	1,418	**137,226**
Other service expenses	79,674	17,917	49,371	54,472	28,327	**229,761**
Support service recharges	0	0	0	0	0	**0**
Total Expenditure	**116,761**	**67,379**	**87,164**	**65,938**	**29,745**	**366,987**
Net Expenditure	**65,613**	**0**	**39,850**	**12,472**	**22,891**	**140,826**

2013/14	People £000	Schools £000	Places £000	Policy & Resources £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	3,507	**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**
Support service recharges	0	0	0	0	0	**0**
Total Expenditure	**115,906**	**66,576**	**87,242**	**64,495**	**30,361**	**364,580**
						0
Net Expenditure	**65,842**	**0**	**41,123**	**12,755**	**25,743**	**145,463**

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.

	2014/15 £000	2013/14 £000
Net expenditure in the [Directorate] Analysis	140,826	145,463
Net expenditure of services and support services not included in the Analysis	0	0
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	43,510	17,417
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-19,879	9,287
Cost of Services in Comprehensive Income and Expenditure Statement	**164,457**	**172,167**

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.

2014/15	Directorate Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Cost of Services Sub-Total £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	79,512	24,814	2,343	(72,627)	**34,042**	58,901	**92,943**
Surplus or deficit on associates and joint ventures	0	0	0	0	**0**	0	**0**
Interest and investment income	138	0	0	(138)	**0**	139	**139**
Income from council tax	0	0	0	0	**0**	59,488	**59,488**
Government grants and contributions	146,511	0	0	(150)	**88,625**	81,413	**227,774**
Total Income	**226,161**	**24,814**	**2,343**	**-72,915**	**180,403**	**199,941**	**380,344**
Employee expenses	137,226		(603)	(5,649)	**130,974**	14,928	**145,902**
Other service expenses	223,697	24,814	34,085	(81,081)	**201,515**	17,143	**218,658**
Support Service recharges	0		0	0	**0**	860	**860**
Depreciation, amortisation and impairment	0		12,371	0	**12,371**	1,074	**13,445**
Interest Payments	6,064		0	(6,064)	**0**	6,064	**6,064**
Precepts & Levies	0		0	0	**0**	2,489	**2,489**
Payments to Housing Capital Receipts Pool	0		0	0	**0**	2	**2**
Gain or Loss on Disposal of Fixed Assets	0		0	0	**0**	16,414	**16,414**
Total expenditure	**366,987**	**24,814**	**45,853**	**-92,794**	**344,860**	**58,974**	**403,834**
Surplus or deficit on the provision of services	**140,826**	**0**	**43,510**	**-19,879**	**164,457**	**-140,967**	**23,490**

The comparator table has not been restated to include the Cost of Services sub-total.

2013/14	Directorate Analysis £000	(Restated) Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	72,487	(35,937)	-	-	-	-	**36,550**
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**	**(35,937)**	**26,828**	**510**	**0**	**146,650**	**357,168**
Employee expenses	136,570	-	-	-	11,579	-	**148,149**
Other service expenses	228,010	(35,937)	-	(6,408)	11,601	-	**197,266**
Support Service recharges	-	-	-	-	-	-	**0**
Depreciation, amortisation and impairment	-	-	31,141	(6,975)	-	-	**24,166**
Precepts & Levies	-	-	1,187	-	**-**	-	**1,187**
Payments to Housing Capital Receipts Pool	-	-	11,917	-	**-**	-	**11,917**
Total expenditure	**364,580**	**(35,937)**	**44,245**	**(13,383)**	**23,180**	**0**	**382,685**
Surplus or deficit on the provision of services	**145,463**	**0**	**17,417**	**(13,893)**	**23,180**	**(146,650)**	**25,517**

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.

There were no acquired or discontinued operations during 2014/15.

Note 31 Trading Operations

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

	2014/15			2013/14		
	Expenditure £000	Income £000	Net Expenditure/ (Income) £000	Expenditure £000	Income £000	Net Expenditure/ (Income) £000
Fleet Management & Maintenance	4,723	(5,790)	**(1,067)**	4,850	(5,735)	**(885)**
Catering	5,072	(5,077)	**(5)**	4,990	(4,896)	**94**
Building Cleaning/ Maintenance	1,901	(1,709)	**192**	1,885	(1,725)	**160**
Markets	697	(458)	**239**	513	(478)	**35**
Building Control	445	(319)	**126**	516	(404)	**112**
Total	**12,838**	**(13,353)**	**(515)**	**12,754**	**(13,238)**	**(484)**

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.

	2014/15		2013/14	
	Learning Disability £000	Mental Health £000	Learning Disability £000	Mental Health £000
Funding provided to the pooled budget:				
The Authority	6,805	2,184	6,851	2,234
The Trust	417	12,066	423	11,876
	7,222	**14,250**	**7,274**	**14,110**
Expenditure met from the pooled budget:				
The Authority	6,796	2,522	6,899	2,435
The Trust	417	12,211	423	12,337
	7,213	**14,733**	**7,322**	**14,772**
Net surplus/(deficit) arising on the pooled budget during the year	**9**	**(483)**	**(48)**	**(662)**
Authority share of 94.23%/15.33% of the net surplus arising on the pooled budget	**8**	**(74)**		

Note 35 Members' Allowances

During the year Members allowances, including Employer's costs totalled £549k (2013/14 £556k) and are as follows:

	2014/15 £000	2013/14 £000
Allowances	516	521
Expenses	33	35
	549	**556**

Note 36 Officers' Remuneration

Continuing Employees		Basic Salary	Salary Supplement	Benefit in Kind	Expenses Allowances	Compensation for Loss of Office	Pension Contribution	Total
		£	£	£	£	£	£	
Chief Executive	**2014/15**	**129,699**	**0**	**4,825**	**0**	**0**	**28,923**	**163,447**
	2013/14	129,699	0	4,606	0	0	28,923	**163,228**
Director of People	**2014/15**	**120,000**	**6,300**	**0**	**0**	**0**	**27,406**	**153,706**
	2013/14	113,750	6,300	0	0	0	26,012	**146,062**
Director of Places	**2014/15**	**90,300**	**0**	**10,220**	**0**	**0**	**20,170**	**120,690**
	2013/14	90,000	0	9,803	0	0	20,070	**119,873**
Director of Policy & Resources	**2014/15**	**90,300**	**2,247**	**4,099**	**0**	**0**	**20,170**	**116,816**
	2013/14	90,000	2,246	3,883	0	0	20,070	**116,199**
Director of Public Health	**2014/15**	**82,295**	**2,469**	**0**	**0**	**0**	**11,867**	**96,631**
	2013/14	82,295	2,468	0	0	0	11,867	**96,630**
TOTALS	**2014/15**	**512,594**	**11,016**	**19,144**	**0**	**0**	**108,536**	**651,290**
	2013/14	505,744	11,014	18,292	0	0	106,942	**641,992**

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

	2014/15				2013/14			
	Teachers	Other Staff	Terminated Employment	Total	Teachers	Other Staff	Terminated Employment	Total
£50,001 to £55,000	28	29	0	57	31	31	7	69
£55,001 to £60,000	11	14	0	25	15	13	4	32
£60,001 to £65,000	17	10	0	27	10	4	2	16
£65,001 to £70,000	12	5	0	17	14	3	0	17
£70,001 to£ 75,000	0	2	0	2	0	2	1	3
£75,001 to £80,000	2	2	0	4	1	2	2	5
£80,001 to £85,000	2	0	0	2	3	0	0	3
£85,001 to £90,000	0	1	0	1	0	1	0	1
£90,001 to £95,000	1	0	0	1	1	0	0	1
	73	**63**	**0**	**136**	**75**	**56**	**16**	**147**

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.

	2014/15	2013/14
	£000	£000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	138	138
Fees payable for the certification of grant claims and returns for the year	27	24
Fees payable in respect of other services provided during the year	8	2
	173	**164**

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 2014/15 are as follows:

	Central Expenditure	Individual Schools Budget	Total
	£000	£000	
Final DSG for 2014/15 before Academies recoupment			117,720
Academy figure recouped for 2014/15			45,142
Total DSG after academy recoupment for 2014/15			**72,578**
Plus: Brought forward from 2013/14			2,255
Less: Carry forward to 2015/16 (agreed in advance)			(1,342)
Agreed initial budgeted distribution in 2014/15	21,158	52,333	**73,491**
In year adjustments	51	0	**51**
Final budget distribution for 2014/15	**21,209**	**52,333**	**73,542**
Less: Actual central expenditure	(19,529)		(19,529)
Less: Actual ISB deployed to schools		(52,333)	(52,333)
Plus: Local authority contribution for 2014/15	0	0	**0**
Carry forward to 2015/16	**1,680**	**0**	**1,680**

Note 39 Grant Income

The authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15.

	Note	2014/15 £000	2013/14 £000
Credited to Taxation and Non-Specific Grant Income			
Revenue Support Grant	11	(36,185)	(43,787)
Other non-ring-fenced grants	11	(2,336)	(5,151)
New Homes Bonus	11	(2,371)	(2,014)
Council Tax Reduction Grant	11	(672)	(674)
Capital Grants	11	(38,311)	(26,828)
Business Rates Retention Grant	11	(1,538)	0
Total		**(81,413)**	**(78,454)**
Credited to Services			
Dedicated Schools Grant	38	(72,441)	(72,688)
DWP - Rent Allowance Subsidy		(46,739)	(44,971)
Public Health England		(8,528)	(8,071)
EFA- Pupil Premium		(4,769)	(3,441)
Skills Funding Agency		(1,478)	(1,236)
Total		**(133,955)**	**(130,407)**

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 2014/15 is shown in Note 35. During 2014/15, works and services to the value of £463k were commissioned from companies in which seven members had an interest. Contracts were entered into in full compliance with the council's standing orders. In addition, the Cultural Services Committee paid grants totalling £456k to voluntary organisations in which eighteen members had interests and £245k to charities in which six members had interests. In all instances, the grants 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 ONGO (previously called North Lincolnshire Holmes).

Officers

Payments totalling £426k 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 £169k to voluntary organisations and £9k 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 £10.3m. Three officers were the council's nominee board members for the social enterprise PHASE CIC. In year spend was £1.1m.

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	2014/15 £000	2013/14 £000
Opening Capital Financing Requirement	**160,212**	**157,164**
Capital Investment		
Property, Plant and Equipment	34,510	36,439
Investment Properties	3,085	189
Intangible Assets	156	107
Assets Held for Sale	12	0
Heritage Assets	0	0
Other	50	35
Revenue Expenditure Funded from Capital under Statute	33,212	11,601
	71,025	**48,371**
Sources of finance		
Capital receipts	(3,125)	(5,308)
Government grants and other contributions	(43,345)	(32,989)
Sums set aside from revenue:		
Direct revenue contributions	0	(51)
Minimum Revenue Provision	(6,945)	(6,975)
	(53,415)	**(45,323)**
Closing Capital Finance Requirement	**177,822**	**160,212**
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	17,610	3,048
Increase/(decrease) in Capital Financing Requirement	**17,610**	**3,048**

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:

	2014/15 Land and Buildings £000	2013/14 Land and Buildings restated £000
Minimum lease rentals receivable:		
No later than 1 year	2,664	2,292
Later than 1 year and no later than 5 years	8,515	7,663
Later than 5 years	104,456	104,845
	115,635	**114,800**

Finance Leases (Council as lessee)

LEASED ASSETS (included within vehicles, plant and equipment)

	2014/15 Vehicles £000	2013/14 Vehicles £000
Cost or Valuation		
Opening Balance	723	723
Additions	0	0
Disposals	0	0
	723	**723**
Depreciation		
Opening Balance	428	235
Disposals	0	0
Provided for year	130	193
	558	**428**
Net Book Value		
Closing Balance	**165**	**295**
Opening Balance	**295**	**488**

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	1 to 5 years	After 5 years	Total
	£000	£000	£000	£000
31/03/15				
Finance leases payments	65	0	0	**65**
Less: finance charges	(9)	0	0	**(9)**
Net present value	56	0	0	**56**
31/03/14				
Finance leases payments	124	65	0	**189**
Less: finance charges	(16)	(9)	0	**(25)**
Net present value	108	56	0	**164**
31/03/13				
Finance leases payments	149	189	0	**338**
Less: finance charges	(18)	(25)	0	**(43)**
Net present value	131	164	0	**295**

Included in the balance sheet as:

	2014/15	2013/14
	£000	£000
Current Liabilities	56	108
Long term Liabilities	0	56
Minimum lease payments	**56**	**164**

Operating Leases (Council as lessee)

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

	2014/15	2013/14
	£000	£000
Minimum lease payments	125	190
	125	**190**

No sub-lease payments or contingent rent payments were made or received. No sublease income is expected as all assets held under operating lease agreements are used exclusively by the Council.
The future minimum lease payments due under non-cancellable operating leases in future years are set out below:

	2014/15	2013/14
	£000	£000
Minimum lease rentals payable:		
No later than 1 year	65	54
Later than 1 year and no later than 5 years	0	9
Later than 5 years	0	0
	65	**63**

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. Details can be found within Note 12.

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	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
£0-£20,000	74	11	27	26	101	37	383	226
£20,001 - £40,000	0	2	10	4	10	6	264	183
£40,001 - £60,000	0	1	1	3	1	4	50	208
£60,001 - £80,000	2	0	1	1	3	1	192	69
Total cost included in bandings							**889**	**686**
Add: Amounts provided for in CIES not included in bandings							181	90
Total cost included in CIES							**1,070**	**776**

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 2014/15, the council paid £3.7m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2013/14 were £3.8m 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 2014/15 the authority paid £125k to the NHS Pension Scheme in respect of the retirement benefits of public health staff representing 14% of pensionable pay. In 2013/14 the authority paid £149k to the NHS Pension Scheme, representing 14% of pensionable pay. 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

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 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		Discretionary Benefits	
	2014/15	2013/14	2014/15	2013/14
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Cost of services:				
Service cost comprising:				
Current service cost	16,814	16,721	0	0
Past service cost	311	267	0	0
(Gain)/loss from settlements	(558)	(1,213)	0	0
Financing and Investment Income and Expenditure:				
Net Interest expense	9,083	11,385	0	0
Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services	**25,650**	**27,160**	**0**	**0**
Other post-employment benefits charged to the CIES				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(32,676)	(30,719)	0	0
Actuarial gains and losses arising on changes in demographic assumptions	0	(13,811)	0	0
Actuarial gains and losses arising on changes in financial assumptions	101,935	(4,313)	3,075	(446)
Other	(4,752)	(3,448)	0	0
Total post employment benefits charged to the CIES	**90,157**	**(25,131)**	**3,075**	**(446)**
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	**(25,650)**	**(27,160)**	**0**	**0**
Actual amount charged against the general fund balance for pensions in the year:				
Employers' contributions payable to scheme	**15,245**	**14,634**		
Retirement benefits payable to pensioners			**2,027**	**2,000**

Pensions Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme		Discretionary Benefits	
	2014/15	2013/14	2014/15	2013/14
	£000	£000	£000	£000
Present value of the defined obligation	781,951	655,315	29,797	28,749
Fair value of plan assets	(523,806)	(472,082)	0	0
Net liability arising from the defined benefit obligation	**258,145**	**183,233**	**29,797**	**28,749**
Total Liability	**287,942**	**211,982**		

Reconciliation of movements in the fair value of scheme assets

	Local Government Pension Scheme		Discretionary Benefits	
	2014/15	2013/14	2014/15	2013/14
	£000	£000	£000	£000
Opening fair value of scheme assets	472,082	422,533	0	0
Interest income	20,249	18,981		0
Re-measurement gain/(loss):				
the return on plan assets, excluding the amount included in the net interest expense	32,676	30,719		
Other (if applicable)		0		
The effect of changes in foreign exchange rates		0		
Contributions from employer	15,245	14,634	2,027	2,000
Contributions from employees into the scheme	4,180	4,107		
Benefits/transfers paid	(20,042)	(18,188)	(2,027)	(2,000)
Other (if applicable)	(584)	(704)		
Closing value of scheme assets	**523,806**	**472,082**	**0**	**0**

Reconciliation of present value of the scheme liabilities:

	Local Government Pension Scheme		Discretionary Benefits	
	2014/15	2013/14	2014/15	2013/14
	£000	£000	£000	£000
Opening balance at 1 April	655,315	645,531	28,749	31,195
Current service cost	16,814	16,721		
Interest cost	29,332	30,366		0
Contributions from scheme participants	4,180	4,107		
Re-measurement (gains) and losses:				
Actuarial (gains)/losses from changes in demographic assumptions	0	(13,811)		
Actuarial (gains)/losses from changes in financial assumptions	101,935	(4,313)	3,075	(446)
Other (if applicable)	(4,752)	(3,448)		
Past service cost	311	267		
Losses/(gains) on curtailments where relevant	0			
Liabilities assumed on entity combinations				
Benefits/transfers paid	(20,042)	(18,188)	(2,027)	(2,000)
Liabilities extinguished on settlements (where relevant)	(1,142)	(1,917)		
Balance as at 31 March	**781,951**	**655,315**	**29,797**	**28,749**

	2013/14	2014/15
	£000	£000
Cash and cash equivalents	26,434	16,919
Equities:		
by industry type		
Consumer	50,578	53,429
Manufacturing	27,025	26,984
Energy and utilities	32,433	31,139
Financial institutions	35,553	32,375
Health and care	29,022	33,614
Information technology	29,209	29,644
Other	91	0
sub-total equity	**203,911**	**207,185**
Bonds:		
by sector		
Corporate (Investment Grade)	11,131	9,326
Corporate (non-Investment Grade)	6,091	7,381
Government	15,767	17,760
Other	12,413	18,146
sub-total bonds	**45,402**	**52,613**
Property:		
by type		
UK Property	29,006	44,646
Overseas Property	0	0
sub-total property	**29,006**	**44,646**
Private equity		
UK	21,643	28,114
Overseas	0	0
sub-total private equity	**21,643**	**28,114**
Other investment funds:		
Equities	116,328	129,564
Infrastructure	11,385	15,191
Other	17,977	29,574
sub-total other investment funds	**145,690**	**174,329**
Total assets	**472,086**	**523,806**

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 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	
	2014/15	2013/14
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	21.9
Women	24.1	24.1
Longevity at 65 for future pensioners:		
Men	24.2	24.2
Women	26.7	26.7
Financial assumptions:		
Rate of inflation	0.0%	0.0%
Rate of increase in salaries	3.8%	4.1%
Rate of increase in pensions	2.4%	2.8%
Discount Rate	3.2%	4.3%

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 2015 that this was likely to crystallise.

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 2014/15 the council would have earned an additional £293k 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 9.5%. 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 Prior Period Adjustments

No prior period adjustments were made during the preparation of these accounts.

Collection Fund

2013/14 Business Rates £000	Council Tax £000	Total £000	Collection Fund	2014/15 Business Rates £000	Council Tax £000	Total £000
			INCOME			
	(70,162)	(70,162)	Council Tax Receivable		(71,537)	(71,537)
(87,970)		(87,970)	Business Rates Receivable	(91,465)		(91,465)
(2,788)	0	(2,788)	Transitional Protection Payments Receivable	0	0	0
(90,758)	**(70,162)**	**(160,920)**	**Total amounts to be credited**	**(91,465)**	**(71,537)**	**(163,002)**
			EXPENDITURE			
			Apportionment of Previous Year Surplus			
		0	Central Government	6		6
	308	308	Billing Authority	5	0	5
	18	18	Fire Authority	0	0	0
	41	41	Police Authority		0	0
			Precepts, demands and shares			
40,552		40,552	Central Government	41,521		41,521
39,741	57,726	97,467	Billing Authority	40,691	58,309	99,000
811	3,431	4,242	Fire Authority	830	3,463	4,293
	7,623	7,623	Police Authority		7,848	7,848
			Charges to Collection Fund			
367	115	482	Write-offs of uncollectable amounts	795	134	929
(107)	303	196	Increase/(decrease) in allowance for impairment	265	374	639
9,084		9,084	Increase/(decrease) in allowance for appeals	4,205		4,205
		0	Transitional Protection Payments Payable	264		264
256		256	Charge to General Fund for allowable collection costs for non-domestic rates	252		252
			Other transfers to General Fund in accordance with non-domestic rates regulations			
22		22	Renewable Energy	747		747
0		0	Enterprise Zone /New Development Deal	18		18
90,726	**69,565**	**160,291**	**Total amounts to be debited**	**89,599**	**70,128**	**159,727**
(32)	**(597)**	**(629)**	**(Surplus) /Deficit arising during the year**	**(1,866)**	**(1,409)**	**(3,275)**
0	156	156	(Surplus) /Deficit brought forward at 1 April 2014	(32)	(441)	(473)
(32)	**(441)**	**(473)**	**(Surplus) /Deficit carried forward at 31 March 2015**	**(1,898)**	**(1,850)**	**(3,748)**

Collection Fund Note 1 - General

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.

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

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	Actual Number of Dwellings	Discounted number of dwellings	Ratio to Band D	Equated number of dwellings	Council Tax Payable
A	35,153	21,173	6/9	14,115	1,019
B	14,974	11,816	7/9	9,190	1,188
C	10,975	9,127	8/9	8,113	1,358
D	7,263	6,478	9/9	6,478	1,528
E	3,540	3,207	11/9	3,920	1,868
F	1,428	1,295	13/9	1,871	2,207
G	477	421	15/9	702	2,547
H	29	10	18/9	20	3,056
	73,839	**53,528**		**44,409**	
		Adjustment for MOD Properties		39	
				44,448	

Collection Fund Note 4 - Council Tax Required

The amount of Council Tax required for Band D, for North Lincolnshire Council and its major preceptors, was calculated on the following basis:

(i) Preceptor's Council Tax Requirements	£67,931,490
(ii) Number of Band D equivalent Dwellings	44,447.60
Band D (i divided by ii)	£1,528.00

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 2014/15 the amount was 48.2p (47.1p = 2013/14) and 47.1p for small businesses (46.2p = 2013/14) 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 2015 was £214,650,508 (31 March 2014 was £213,722,257).

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.

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.