

# North Lincolnshire Council

## Statement of Accounts

Financial Year 2010/11

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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 2010/11 (the Code). It is the purpose of this foreword to explain, in an easily understandable way the financial facts in relation to the Authority. Comparative figures have been re-stated to take account of changes in accounting requirements as a result of the introduction of the Code.

This Statement of Accounts explains North Lincolnshire Council's finances during the financial year 2010/11 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.

### 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.

### Main Statements

#### The Movement in Reserves Statement

This Statement, as set out on page 18, shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Summary (CIES). These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The 'Net increase /Decrease before transfers to Earmarked Reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

#### Comprehensive Income and Expenditure Summary (CIES)

This statement, as set out on page 19, shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

## The Balance Sheet

The Balance Sheet, as set out on page 20, shows the value as at the Balance Sheet date of the Authority's assets and liabilities. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

## The Cash Flow Statement

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

## The Collection Fund

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

## Financial Report

This part of the foreword compares actual spending in the financial year 2010/11 to the budget approved by council; and provides an overview of financial performance. It describes the position in accordance with the council's use of its accounts for management purposes, which differs from that set out in the formal statements as noted above.

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

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

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

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

The Authority's budget was £140.4m. The total net expenditure, excluding reserve movements, reported in the General Fund Summary is £139.6m and includes allocations of £278k to fund capital expenditure.

### Revenue

The table on the next page shows revenue spending by service, a combined under-spend of £514k or -0.4% overall. Spending on schools and budgets pooled with the PCT (mental health and learning disability) are shown separately. Schools have spent more than budget; mental health overspent; learning disability under-spent.

The main differences on core council services are:

- Corporate Budgets. Savings in audit fees and staff costs are offset by an additional £245k provision for insurance liabilities resulting from the bad weather towards the end of 2010; a net £158k over budget.
- Neighbourhood & Environment, overspend £42k. Additional waste disposal costs are largely offset through vacancy management, and reduced fleet vehicle replacement and maintenance costs.
- Children & Young Peoples Service, under-spend £303k. Additional costs of children in care were contained by vacancy management. The under-spend is largely (269k) a re-phasing of Building Schools for the Future procurement costs to 2011/12.
- Highways and Planning, underspend £145k. Energy savings, additional planning, inspection and parking fee income, and reduced concessionary transport costs more than offset a shortfall on building control income and other cost pressures.
- Asset Management & Culture, underspend £75k. Lower income from Normanby Hall and market rents is offset by savings elsewhere in the service.
- Adult Care Services, underspend £25k. The service contained the costs of additional residential & home care provision (£1.4m) largely through the flexible use of grants and vacancy management.
- Schools are funded through a separate dedicated schools grant and manage their own finances with support and guidance from the council. They are allowed to set aside funding in one year to apply in a later year. Collectively they spent £99.6m 2010/11, and drew £0.45m from balances. This leaves schools collectively with £1.16m in reserve. There are 60 schools in surplus and 20 in deficit. Of these 12 have licensed deficits and a recovery plan agreed with the council; 6 have modest deficits which they plan to recover in 2011/12; the remaining 2 schools have submitted recovery plans for approval.
- Council and PCT budgets for learning disability and mental health are pooled under long-standing arrangements. The terms of agreement determine how under and over spends will be addressed. This requires that the under spend on the learning disability pool of £4k is carried forward for use in 2011/12, and the £13k overspend on the mental health pool to be funded by Adults Services.

Service / Item	Approved Budget	Actual	Difference	% Difference
	£000's	£000's	£000's	
Adult Social Care	31,710	31,685	-25	-0.08%
Asset Management & Culture	9,056	8,981	-75	-0.83%
Central Budgets (Capital Financing & Contingency)	13,386	13,335	-51	-0.38%
Children & Young Peoples Service	29,679	29,376	-303	-1.02%
Community, Planning & Resources	6,205	6,218	13	0.21%
Corporate Budgets	8,227	8,385	158	1.92%
Finance	3,995	3,985	-10	-0.25%
Highways and Planning	9,833	9,688	-145	-1.47%
Human Resources	1,927	1,861	-66	-3.43%
Legal and Democratic Services	2,805	2,782	-23	-0.82%
Neighbourhood & Environmental	17,364	17,406	42	0.24%
<u>Commercial Units</u>				
Property Trading Account	-1,695	-1,724	-29	1.71%
<b>Net Service Expenditure</b>	<b>132,492</b>	<b>131,978</b>	<b>-514</b>	<b>-0.39%</b>
Individual Schools Budget	99,210	99,663	453	0.46%
Dedicated Schools & Other Schools Grant Funding	-99,210	-99,210	0	0.00%
Adult Service Pooled Budgets	7,157	7,166	9	0.13%
<b>Total Cost</b>	<b>139,649</b>	<b>139,597</b>	<b>-52</b>	
Revenue Support Account	1,965	2,166	201	
Impairment Reserve (Icelandic investments)	-853	-853	0	
Property Trading Account	0	29	29	
Schools Reserves	0	-453	-453	
Scunthorpe Special Expenses Reserve	0	81	81	
Carry Forwards from 2009-10	-337	-538	-201	
Carry Forwards from 2010-11	0	395	395	
<b>Reserve Transfers (to (+) From (-))</b>	<b>775</b>	<b>827</b>	<b>52</b>	
<b>Total General Fund</b>	<b>140,424</b>	<b>140,424</b>	<b>0</b>	
<b>Financed by</b>				
Formula grant	-62,256	-62,256	0	
Area Based Grant	-11,952	-11,952	0	
Collection Fund Surplus	-921	-921	0	
Council Tax	-65,295	-65,295	0	
<b>Total Financing</b>	<b>-140,424</b>	<b>-140,424</b>	<b>0</b>	
<b>Balance at year end</b>	<b>0</b>	<b>0</b>	<b>0</b>	

## Capital

The programme of investment in council assets is substantial, with a range of projects to build and renew facilities; it also includes grants for community assets and home improvement. Larger schemes take more than one year to complete and the programme is kept under review during the year. Some re-phasing of funds from 2010/11 to later years where the original timetable has changed, has taken place. Overall spending was £62.9m against a revised budget of £67.1m. This is shown by service below.

Service / Funding	Budget	Actual	Variance		Rephased to
	2010/11	2010/11	2010/11		(+) from (-)
	£000's	£000's	£000's	%	2011/12 and beyond £000's
Adult Social Care	29	0	-29	-100.0	19
Asset Management & Culture	20,885	19,398	-1,487	-7.1	1,532
Children & Young Peoples Service	31,879	30,633	-1,246	-3.9	1,139
Community, Planning & Resources	714	701	-13	-1.9	76
Corporate Budgets	1,199	1,061	-138	-11.5	105
Finance	11	11	0	0.0	0
Highways and Planning	7,372	6,664	-708	-9.6	642
Neighbourhood & Environmental	4,975	4,412	-563	-11.3	633
<b>Total Expenditure</b>	<b>67,064</b>	<b>62,880</b>	<b>-4,184</b>	<b>-6.2</b>	<b>4,146</b>
<b>Funding</b>					
Grants & External Funding	39,094	37,379	-1,715	-4.4	1,467
Capital Receipts General Fund	2,045	2,056	11	0.5	162
Capital Receipts PTA	541	380	-161	-29.8	0
Internal balances	25,052	22,792	-2,260	-8	2,506
Direct Revenue Funding	332	273	-59	-17.8	11
<b>Total Funding</b>	<b>67,064</b>	<b>62,880</b>	<b>-4,184</b>	<b>-6.2</b>	<b>4,146</b>

The most significant elements of the 2010/11 programme have been:

### Investment in the area

- Rural Renaissance £0.6m
- Local Transport Plan (road infrastructure & road safety) £4.4m
- Connect 2 Links & Scunthorpe Ridgeway (cycle link) £1m

### Investment in children

- Capital devolved to Schools (various improvements) £1.9m
- Building Schools for the Future £22.7m
- Children's Centres £1.6m

- Messingham Primary Consolidation £1m
- School Kitchens equipment & facilities £0.7m
- 14-19 Diploma in Rural Areas £1m

#### Investment in communities

- The Pods £11.1m
- Baths Hall £7m
- Disabled facilities grant (adaptation of domestic properties) £1.2m
- Young People's Housing £0.5m
- Wave 2 Playbuilder (investment in play grounds) £0.6m

#### Investment in operational capacity

- Fleet Replacement Programme £0.9m

£265k of spending was brought forward into 2010/11 and £4,411k deferred to 2011/12 or later. The main differences were:

- Schools spent £156k more of their devolved capital budgets than expected. Standards fund grant is allocated on a 3 year rolling programme and schools can decide when to spend it.
- There is rephasing into 2011/12 on the Pods (£1,076k), school kitchens (£215k), the Care First computer system (£102k), street lighting (£155k), Connect 2 (£179k), carbon management (£284k), home assistance (renovation grants) (£239k) and young people's housing (£109k). BSF spending requires rephasing including £676k into 2012-13.

Increased expenditure is required in 2011/12 on three schemes, two where costs have increased since the original approval and one to formalise slippage anticipated in 2010-11 but not yet adjusted in the 2011-12 programme.

These are:

- |  |       |
|--|-------|
| • Depot Relocation (Northampton Road)  | £220k |
| • Replacement Fuel Tank (Kendale Road) | £ 57k |
| • Government Connect (slippage)        | £ 48k |

To finance the capital programme in 2010/11 resources have been deployed in the following order:

- Government grant for individual schemes or programmes
- Capital receipts from the sale of council assets
- Internal cash balances (in place of borrowing)
- Or in a small number of cases direct revenue funding

## Reserves

In line with the approved strategy for the use of reserves, the following have been applied in 2010/11(see above):

- £0.453m drawn from school balances
- £0.853m drawn from the impairment reserve to cover Icelandic investments
- £0.921m, the collection fund balance applied as required by law
- £0.337m of the 2009/10 carry forward reserve applied, £201k retained as approved at July 2010 cabinet

The table above also shows contributions to reserves from general fund revenue:

- £2.166m to the revenue support reserve: the budgeted contributions for Worksmart, unused contingency and carry-forward, and savings on leasing costs offset by budgeted waste procurement costs
- The net service underspend of £514k has been allocated to Property Trading Account, (£29k); Scunthorpe Special Expenses (£81k); and, after deduction of a £9k overspend on the mental health pool, the balance of £395k to the 2010/11 Carry forward reserve

Most of this carry forward reserve is for ring-fenced purposes and carries forward automatically: procurement costs on Building Schools for the Future (£269k); partner funding for the Local Strategic Partnership (£39k); a small saving on the learning disability pooled budget (£4k).

Overall general balances are maintained at £6.858m at 31 March 2011; and after a further transfer to clear the balance on the MRP reserve, increases the Revenue Support Account to £8.489m from the expected level of £8.139m.

## International Financial Reporting Standards

The 2010/11 accounts are the first that the council has prepared under International Financial Reporting Standards (IFRS). Many of the changes are little more than cosmetic for example Stock and Work in Progress are now known as Inventories and Fixed Assets are now known as Property, Plant and Equipment, Investment Properties and Assets Held For Sale. The format of the main financial statements changes and the income and expenditure account and statement of total recognised gains and losses have been amalgamated into the Consolidated Income and Expenditure Statement. The treatment of some balance sheet items has changed. For example the Capital Grants which made up the Government Grants Deferred Account are no longer held as a liability and amortised over the life of the related asset. Capital Grants are now credited to the Consolidated Income and Expenditure Account when any conditions imposed on their use has been satisfied. They are then transferred to the Capital Adjustment Account when applied to finance capital or the Capital Grants Unapplied Account, where they are held to be applied in future years. Some leases previously treated as operating leases are now treated as finance leases under IFRS and are shown as part of Property, Plant and Equipment and a deferred liability.

## Financial Performance

The Total Comprehensive Income and Expenditure shown on the Comprehensive Income and Expenditure Statement (CIES) shows a £165m surplus. This is mainly due to the notional gains made during the year on Pensions and Property, Plant & Equipment.

The Movement on Reserves Statement takes the surplus from the CIES and adjusts this figure back to the actual movement on the General Fund Balance. The movement is a £453k deficit which is purely on the Schools Balances element of the General Fund Balance. There was no movement on the council's general balances. This can be seen in the table below.

	General Balances £,000	Schools Balances £,000	Total Balances £,000
Opening Balance	6,858	1,610	8,468
Movement in year Surplus/(Deficit)	0	(453)	(453)
Closing Balance	6,858	1,157	8,015

In addition £4.7m has been set aside in Earmarked Reserves. Major movements in reserves include:

### Amounts set aside into reserves

- £4.1m increase in Revenue grants reserve (this is due a change in treatment of revenue grants which if unutilised at year end are now either credited to general balances or an earmarked reserve. Previously unutilised revenue grants would have been treated as a creditor).
- A £2.2m was set aside into the Revenue Support Reserve.

### Transfer

- A transfer of £1.1m from the MRP reserve to the Revenue Support Reserve

### Amounts drawn from reserves

- To fund the impairment on Icelandic investments, which have to be charged to revenue in this year, £853k has been transferred out of the Impairment Reserve.
- Additionally £569k has been transferred from the Local Public Service Agreement reserve to fund a range of schemes.
- £189k was drawn from the Building Control Reserve.

The council's net worth has increased by £165.1m. Most of this increase comes from the reduction in the council's liability to the Pension scheme of £145.9m.

## Pensions

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has meant that a one off credit of £60.1m has been made to the Comprehensive Income and Expenditure

Account. In addition Actuarial gains of £92.6m have been made. These movements have led to a reduction in the council's net liability from £322.9m to £177.0m. 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 & equipments and Investment Properties values have increased by £26.5m this year despite revaluations which decreased the values of existing assets by £12.2m. There were £61.0m of additions including expenditure on the Building Schools for the future (BSF), The Pods, The Baths Hall, roads and vehicles. Some council buildings were subject to impairment. These included the Carlton Street car park, Riddings Infants, Sheffield Park pavilion and a disused toilet block in Brigg.

### Treasury Management - Investments

A risk averse strategy was adopted for the investment of cash balances in 2010/11. Investments were short term, three months and under and only made with Banks and Building Societies with high credit ratings. Limits were placed on the maximum investment with financial groups rather than individual institutions with a maximum limit of £5m with most groups. The option to invest with a limited number of foreign institutions with very high credit ratings was available but was not utilised during 2010/11. In 2010/11 265 separate investments were made totalling £480m. The balance invested fell from £31.4m at the beginning of the year to £20.0m at the year end. An average interest rate of 0.62% was earned during the year. This was 0.12% above the base rate.

### Treasury Management - Icelandic Investments

In late 2008 several Icelandic Banks and their subsidiaries went into administration. North Lincolnshire Council had investments with two of these institutions at that time. £3.5m was invested with Heritable Bank and £2.0m with Landsbanki Islands hf. By the end of 2010/11 £1.75m had been recovered from Heritable by the balance sheet date this had increased to £1.98m with a further £1m expected to be repaid within eighteen months. There has not been any recovery from Landsbanki Islands. This is due to legal challenges being made to the decision of the Landsbanki winding-up board to treat Local Authority creditors as priority creditors. Earlier this year Icelandic Banks upheld this decision by the winding up board and confirmed the priority status of Local Authority creditors. An appeal against this decision has been lodged with the Icelandic High Court by Landsbanki's other creditors. A ruling by the Icelandic High Court is expected later this year. If the High Court upholds the winding up board's decision then repayments from Landsbanki totalling about £1.9m are expected. Should the High Court over-rule the lower Courts ruling then the repayment from Landsbanki will be much lower.

### Treasury Management - Borrowing

The decision to defer new borrowing for capital purposes continues the practice started in 2008/09. This avoids the short-term cost of paying the differential between the rates at which we can borrow (typically 5%) and rate of return on our investment (between 0.5% and 1%). It makes temporary use of cash balances which would otherwise be exposed to potential loss in volatile financial markets. Between 2008/09 to 2009/10 £19.8m of borrowing was been deferred. A further £22.8m has been deferred in 2010/11. 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 2010/11 was £117.2m.

## Future Prospects

The council has now set its four year financial plan for 2011/12 to 2014/15, in response to the government's reduced grants to council's resulting from its deficit reduction strategy. The financial position achieved by the council in 2010/11 with financial targets met and a small addition to balances as set out in this document represents a sound basis on which the financial plan is built. Early indications are that good progress is being made on the significant expenditure reductions that are necessary in 2011/12 and savings made in landfill costs have enabled the new administration to re-prioritise spending within the overall cash limit for the year.

On capital expenditure, the council's programme remains sizable in 2011/12 with planned spending of £73m. £39m of this is in schools, £21m being BSF. Completion of The Pods and the Baths Hall represents a further £12m, together with £5m on the Local Transport Plan. However, reduced government support and internal resources sees the planned spend reduce to £21.7m in 2014/15, as major current commitments are completed.

Financially the future is challenging. Delivering quality services with reducing reserves demands a search for efficiencies and new ways of working, such as shared services. I am confident that the council's record in this area, plus a sound financial position, will place it in a strong position to meet these challenges.

## Statement of the Authority's and Chief Financial Officer's Responsibilities for the Statement of Accounts

### The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs.
- to approve the Statement of Accounts.

In this Authority, that officer is the Director of Finance;

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

In preparing this Statement of Accounts, the Director of Finance has:

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

The Director of Finance has also:

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

## Certificate of the Chief Financial Officer

I certify that:

(a) the Statement of Accounts for the year ended 31 March 2011 on pages 17 to 95 has been prepared in the form directed by the Code and under the accounting policies set out on pages 22 to 33.

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

.....

Mike Wedgewood Director of Finance

Date 27<sup>th</sup> September 2011

## **Authority Approval of Statement of Accounts**

These accounts were approved by resolution of the Audit Committee on 27<sup>th</sup> September 2011

.....

Chairman

.....

Date: 27<sup>th</sup> September 2011

## **North Lincolnshire Council Annual Governance Statement 2010/11**

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

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

## Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves of the Authority
	£,000	£,000	£,000	£,000	£,000	£,000	£,000
<b>Balance as At 1 April 2009</b>	<b>9,104</b>	<b>15,429</b>	<b>1,000</b>	<b>6,887</b>	<b>32,420</b>	<b>173,661</b>	<b>206,081</b>
<b>Movement in reserves during the year</b>							
Surplus or (deficit) on the provision of services	(8,977)				(8,977)		(8,977)
Other Comprehensive Income and Expenditure	0		0		0	(137,106)	(137,106)
<b>Total Comprehensive Income and Expenditure</b>	<b>(8,977)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(8,977)</b>	<b>(137,106)</b>	<b>(146,083)</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	10,819		583	6,108	17,510	(17,510)	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>1,842</b>	<b>0</b>	<b>583</b>	<b>6,108</b>	<b>8,533</b>	<b>(154,616)</b>	<b>(146,083)</b>
Transfers to or from earmarked reserves	(2,478)	2,478	17		17	(17)	0
<b>Increase/Decrease in Year</b>	<b>(636)</b>	<b>2,478</b>	<b>600</b>	<b>6,108</b>	<b>8,550</b>	<b>(154,633)</b>	<b>(146,083)</b>
<b>Balance as at 31 March 2010</b>	<b>8,468</b>	<b>17,907</b>	<b>1,600</b>	<b>12,995</b>	<b>40,970</b>	<b>19,028</b>	<b>59,998</b>
<b>Movement in reserves during the year</b>							
Surplus or (deficit) on provision of services	63,372				63,372		63,372
Other Comprehensive Income and Expenditure			0		0	101,679	101,679
<b>Total Comprehensive Income and Expenditure</b>	<b>63,372</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>63,372</b>	<b>101,679</b>	<b>165,051</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	(59,125)		(5)	3,729	(55,401)	55,401	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>4,247</b>	<b>0</b>	<b>(5)</b>	<b>3,729</b>	<b>7,971</b>	<b>157,080</b>	<b>165,051</b>
Transfers to or from earmarked reserves	(4,700)	4,700	12		12	(12)	0
<b>Increase/Decrease in Year</b>	<b>(453)</b>	<b>4,700</b>	<b>7</b>	<b>3,729</b>	<b>7,983</b>	<b>157,068</b>	<b>165,051</b>
<b>Balance Sheet As At 31 March 2011</b>	<b>8,015</b>	<b>22,607</b>	<b>1,607</b>	<b>16,724</b>	<b>48,953</b>	<b>176,096</b>	<b>225,049</b>

## Comprehensive Income and Expenditure Statement for the year ended 31st March 2011

	31/03/11			31/03/10		
	£,000	£,000	£,000	£,000	£,000	£,000
	Expenditure	Income	Net	Expenditure	Income	Net
Central services	18,247	(15,401)	2,846	17,321	(14,810)	2,511
Cultural, environmental, regulatory and planning services	52,935	(12,608)	40,327	67,602	(11,129)	56,473
Children And Educational Services	192,653	(137,873)	54,780	182,944	(126,304)	56,640
Highways and transport services	15,712	(4,766)	10,946	16,369	(4,127)	12,242
Pension index change gain	5	(60,597)	(60,597)			
Other housing services	56,576	(43,067)	13,509	56,145	(42,895)	13,250
Adult Social Care	48,148	(15,452)	32,696	46,848	(17,369)	29,479
Corporate and democratic core	8,699	(1,237)	7,462	8,083	(5,784)	2,299
Non distributed costs	1,028	(18)	1,010	570	(23)	547
<b>Surplus/Deficit on Continuing Operations</b>	<b>333,401</b>	<b>(230,422)</b>	<b>102,979</b>	<b>395,882</b>	<b>(222,441)</b>	<b>173,441</b>
Other Operating Expenditure			650			1,779
Financing and Investment Income and Expenditure			15,782			6,546
Surplus or Deficit of Discontinued Operations			0			0
Taxation and Non-Specific Grant Income			(182,783)			(172,789)
<b>(Surplus) or Deficit on Provision of Services</b>			<b>(63,372)</b>			<b>8,977</b>
Surplus or deficit on revaluation of non current assets			9,056			21,993
Surplus or deficit on revaluation of available for sale financial assets			0			0
Actuarial gains / losses on pension assets / liabilities			92,623			(159,099)
<b>Other Comprehensive Income and Expenditure</b>			<b>101,679</b>			<b>(137,106)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(165,051)</b>			<b>146,083</b>

## Balance Sheet

	Notes	31st March 2011	31st March 2010	1st April 2009
		£,000	£,000	£,000
Property, Plant & Equipment	12/12a	450,983	421,583	424,338
Investment Property	12/12a	42,061	44,924	32,479
Intangible Assets	12/12a	0	0	0
Assets held for sale	20	5,260	5,286	3,048
Long Term Investments	15	1,500	1,500	1,495
Long Term Debtors	18	1,266	1,369	1,390
<b>Long Term Assets</b>		<b>501,070</b>	<b>474,662</b>	<b>462,750</b>
Short Term Investments	15	2,893	3,053	4,124
Inventories	16	465	461	489
Short Term Debtors	18	29,646	29,386	25,712
Cash and Cash Equivalents	19	14,030	24,297	20,736
<b>Current Assets</b>		<b>47,034</b>	<b>57,197</b>	<b>51,061</b>
Short Term Borrowing	15	5,903	1,803	1,823
Short Term Creditors	21	26,960	28,615	24,663
Provisions	22	263	230	344
<b>Current Liabilities</b>		<b>33,126</b>	<b>30,648</b>	<b>26,830</b>
Long Term Creditors	21	43	0	0
Provisions	22	1,607	1,280	999
Long Term Borrowing	15/38	111,268	117,016	118,483
Other Long Term Liabilities	47	177,011	322,917	161,418
<b>Long Term Liabilities</b>		<b>289,929</b>	<b>441,213</b>	<b>280,900</b>
<b>Net Assets</b>		<b>225,049</b>	<b>59,998</b>	<b>206,081</b>
Usable reserves	23	48,953	40,970	32,420
Unusable Reserves	24	176,096	19,028	173,661
<b>Total Reserves</b>		<b>225,049</b>	<b>59,998</b>	<b>206,081</b>

## Cash flow Statement

The indirect method has been used to calculate these figures.

	Notes	2010/11 £,000	2009/10 £,000
<b>Net surplus or (deficit) on the provision of services</b>		63,372	(8,977)
Adjustment to surplus or deficit on the provision of services for noncash movements	25	(10,956)	60,990
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	25	(43,574)	(41,627)
<b>Net cash flows from operating activities</b>		<b>8,842</b>	<b>10,386</b>
<b>Net Cash flows from Investing Activities</b>	26	<b>(12,469)</b>	<b>(111)</b>
<b>Net Cash flows from Financing Activities</b>	27	<b>(6,640)</b>	<b>(6,714)</b>
<b>Net increase or decrease in cash and cash equivalents</b>		<b>(10,267)</b>	<b>3,561</b>
Cash and cash equivalents at the beginning of the reporting period		<u>24,297</u>	<u>20,736</u>
<b>Cash and cash equivalents at the end of the reporting period</b>		<u><b>14,030</b></u>	<u><b>24,297</b></u>

# Notes to the Accounts

## 1. Accounting Policies

### i) General Principles

The Statement of Accounts summarises the council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11. Based on International Financial Reporting Standards.

### 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:

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

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

Exceptions to this policy are:-

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

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

### iii) Provisions

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

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements

are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

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

#### iv) Reserves

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

Certain reserves are kept to manage the accounting processes for Property, Plant and Equipment, Financial Instruments, accumulated short-term compensated absences and retirement benefits and do not represent usable resources for the council – these reserves are explained in the relevant policies below.

#### v) Employee Benefits

##### i) Benefits Payable During Employment

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

The accrual is calculated separately for Teachers and non-teaching staff. For teachers a model designed by CIPFA is used each year. For non-teaching staff a sample based approach is taken. This sample is not updated unless significant changes in staff numbers or in the leave carry forward policy occur.

##### ii) Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

##### iii) Post Employment Benefits

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

 The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF).

 The Local Government Pensions Scheme, administered by East Riding of Yorkshire Council.

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

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

### **The Local Government Pension Scheme**

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

-  The liabilities of the East Riding of Yorkshire pension scheme attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
-  Liabilities are discounted to their value at current prices, using a discount rate of determined by the Funds' Actuary.
-  The assets of the East Riding pension fund attributable to the council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.
-  The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement
  - expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement
  - gains/losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees debited to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement
  - contributions paid to the East Riding of Yorkshire pension fund – cash paid as employer's contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in reserves statement this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

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

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

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

### Discretionary Benefits

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

### vi) VAT

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

### vii) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

### viii) Intangible Assets

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

### ix) Property, Plant and Equipment

Property, Plant and Equipment are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

**Recognition:** expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it yields benefits to the council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred. More detail can be found in the council’s capitalisation policy.

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

-  investment properties and assets surplus held for sale – fair value
-  other land and buildings, vehicles, plant and equipment – fair value in existing use
-  Assets held under finance leases – lower of present value of minimum lease payments or cost

- 🏠 infrastructure assets and community assets – depreciated historical cost.
- 🏠 Net current replacement cost is assessed as:
- 🏠 non-specialised operational properties – existing use value
- 🏠 specialised operational properties – depreciated replacement cost

Assets included in the Balance Sheet at fair value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account.

All gains and losses relating to Investment properties are credited or debited to Financing and investment income and expenditure in the Comprehensive Income and Expenditure Statement.

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

- 🏠 where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- 🏠 otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

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

**Disposals:** when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to repaid Right to Buy Discounts is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Movement in Reserves statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Movement in Reserves Statement.

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

Depreciation is calculated on the following bases:

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

- 🏠 buildings – straight-line allocation over the life of the property as estimated by the valuer.
- 🏠 vehicles, plant and equipment – straight line over the life of the asset as estimated by an appropriate officer
- 🏠 infrastructure – straight-line allocation over the life of the asset.

The remaining useful life of these assets is reviewed annually.

- 🏠 No depreciation is provided on land, community assets, non-operational investment property assets, assets held for sale and assets in course of construction.
- 🏠 No depreciation is provided on any asset in the year of acquisition.

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

**Components:** 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. Assets with a value of £400k or more, excluding land value, will not be considered for componentisation. Assets above this threshold will be componentised but only where the difference in the depreciation charge between the asset as a whole and its components is over £20k.

**Grants:** where grants and contributions are received that are identifiable to fixed assets and have no conditions the amounts are credited to the Capital Adjustments Account to match the amounts spent in year. Where the receipt of grant exceeds the spend the unutilised portion of the grant is transferred to the Capital Grants Unapplied Account. Where conditions exist which means at the balance sheet date the grant may have to be repaid it should be treated as receipt in advance under short term creditors.

#### x) Deduction of sale expenses incurred from capital receipts

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

#### xi) Charges to Revenue for Property, Plant and Equipment

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

- ▲ depreciation attributable to the assets used by the relevant service
- ▲ impairment losses attributable to the clear consumption of economic benefits on Property, Plant and Equipment used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- ▲ amortisation of Intangible Assets attributable to the service.

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

#### xii) Leases

##### Finance Leases

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

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

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

##### Operating Leases

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

### xiii) Financial Instruments

#### i) Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to 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. For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The council has a policy of spreading the gain/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.

#### ii) Financial Assets

Financial assets are classified into two types:

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

#### Loans and Receivables

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

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

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

## Available-for-sale Assets

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

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

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

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

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

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses.

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

## xiv) Inventories

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

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

## xv) Interests in Companies and Other Entities

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

## xvi) Revenue Expenditure funded from Capital under Statute

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

## xvii) Contingent Assets and Contingent Liabilities

### i) Contingent Assets

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

### ii) Contingent Liabilities

Contingent liabilities are not recognised in the accounting statements; they are disclosed by way of notes

if there is a possible obligation which may require a payment or a transfer of economic benefits.

#### **xviii) Acquired and Discontinued Operations**

##### **i) Acquired Operations**

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

##### **ii) Discontinued Operations**

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

#### **xix) Exceptional Items and Prior Period Adjustments**

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

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

#### **xx) Landfill Allowance Trading Scheme (LATS)**

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

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

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

#### **xxi) Government Grants and other 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 acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

Expenditure Statement.

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

**i) Area Based Grant**

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement

**xxii) Impairment and uncollectability of Financial Assets**

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

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

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

**xxiii) Collection Fund**

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

**xxiv) 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.

#### **xxv) 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.

#### **xxvi) 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 investments that mature in less than twelve months 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.

#### **xxvii) Events after the Balance Sheet Date**

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.

#### **xxviii) 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.]

#### **xxix) Private Finance Initiative (PFI) and Similar Contracts**

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional

charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operators each year are analysed into five elements:

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

## 2. Accounting Standards Issued

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

## 3. Critical Judgements in Applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Authority has £2.0m deposited with Landsbanki which is in administration. A decision by the Icelandic courts is being sought as to whether the Authority will have the status of a preferred creditor. The Council's preferred status has been upheld by a lower court but other creditors have appealed to a higher court. Legal opinion is that the Council's preferred status will ultimately be upheld and the bulk of the investment will be returned.
- The Council inherited some exposure to potential liabilities resulting from the insolvency of Municipal Mutual Insurance Company in 1992. A solvent run-off had until recently been forecast but the likelihood and scale of any liabilities cannot yet be established.

## 4. Significant Estimates

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

The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Property, Plant and Equipment</b>	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The useful lives of assets have been estimated by qualified in-house valuers and staff from the District Valuer.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <hr/> <p>It is estimated that the annual depreciation charge for buildings would increase by £296k for every year that useful lives had to be reduced.</p>
<b>Pensions Liability</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The assumptions interact in complex ways. During 2010/11, the Authority's actuaries advised that the net pensions liability had decreased by £30.7m as a result of estimates being corrected and as a result of the updating of the assumptions.
<b>Arrears</b>	At 31 March 2011, the Authority had a balance of sundry debtors for £8.4m. A review of significant balances suggested that an impairment of doubtful debts of £1.6m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1.6m to set aside as an allowance.

## 5. Material Items of Income and Expense

In 2010/11 the council disposed of one smallholding, land at Ashby Ville and several smaller assets.

Included in income in the Non Distributable Costs line of the Consolidated Income and Expenditure Statement is a one-off credit of £60m. This represents the reduction in the Council's share of the liability on the East Riding Pension Scheme, due to the change from using the Retail Price Index (RPI) to the Consumer Price Index (CPI) to calculate future liabilities.

## **6. Events after the Balance Sheet Date**

There were no material events after the balance sheet date.

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

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

2010/11	Usable Reserves			
	General	Capital	Capital	Movement
	Fund	Receipts	Grants	in Unuseable
	Balance	Reserve	Unapplied	Reserves
	£,000	£,000	£,000	£,000
<b>Adjustments involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non current assets	13,485			(13,485)
Revaluation losses on Property Plant and Equipment	28,798			(28,798)
Capital grants and contributions	(26,202)			26,202
Capital Grants Receivable and Unapplied in year including capital grants unapplied carried forward which have been used for financing in this year.	(14,906)		3,729	11,177
Revenue expenditure funded from capital under statute	1,840			(1,840)
Carrying amount of non current assets sold	1,301			(1,301)
Loans/Lease principal repayments during the year	(333)			333
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Minimum Revenue Provision For Capital Funding	(5,525)			5,525
Capital expenditure charged against the General Fund balances	(278)			278
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure		(2,424)		2,424
Proceeds From Sale of Non Current Assets	(2,466)	2,466		
Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	33	(33)		
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	14	(14)		
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>				
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements.	(1,223)			1,223
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	(33,286)			33,286
Employer's pensions contributions and direct payments to pensioners payable in the year	(19,997)			19,997
<b>Adjustments involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	67			(67)
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>				
Adjustments in relation to Short-term compensated absences	(447)			447
<b>Total Adjustments</b>	<b>(59,125)</b>	<b>(5)</b>	<b>3,729</b>	<b>55,401</b>

2009/10	General	Usable Reserves	Capital	Movement
	Fund	Capital	Grants	in Unuseable
	Balance	Receipts	Unapplied	Reserves
	£,000	Reserve	£,000	£,000
<b>Adjustments involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non current assets	10,989			(10,989)
Revaluation losses on Property Plant and Equipment	40,463			(40,463)
Capital grants and contributions	(28,055)			28,055
Capital Grants Receivable and Unapplied in year including capital grants unapplied carried forward which have been used for financing in this year.	(10,278)		6,108	4,170
Revenue expenditure funded from capital under statute	2,941			(2,941)
Carrying amount of non current assets sold	1,863			(1,863)
Loans/Lease principal repayments during the year	(452)			452
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Minimum Revenue Provision For Capital Funding	(5,111)			5,111
Capital expenditure charged against the General Fund balances	(182)			182
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure		(2,489)		2,489
Proceeds From Sale of Non Current Assets	(3,294)	3,294		
Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	172	(172)		
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	50	(50)		
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(153)			153
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	21,647			(21,647)
Employer's pensions contributions and direct payments to pensioners payable in the year	(19,247)			19,247
<b>Adjustments involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(364)			364
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>				
Adjustments in relation to Short-term compensated absences	(170)	0	0	170
<b>Total Adjustments</b>	<b>10,819</b>	<b>583</b>	<b>6,108</b>	<b>(17,510)</b>

## 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 2010/11.

	Balance Balance as At 1 April 2009 £,000	Transfers In 2009/10 £,000	Transfers Out 2009/10 £,000	Balance Balance as at 31 March 2010 £,000	Transfers In 2010/11 £,000	Transfers Out 2010/11 £,000	Balance Balance as at 31 March 2011 £,000
<b>General Fund:</b>							
Dedicated Schools Grant	0	0	0	0	1,659	0	1,659
Crematorium Enhancement Fund	37	0	(8)	29	1	0	30
Additional MRP Reserve	461	641	0	1,102	0	(1,101)	1
Scunthorpe Special Expenses	6	34	0	40	81	0	121
Insurance	999	0	0	999	0	0	999
Self Insurance	238	36	0	274	0	0	274
Corporate System	30	0	0	30	0	0	30
LPSA (PRG)	576	318	(234)	660	0	(569)	91
Revenue Support Reserve	4,081	1,142	0	5,223	3,266	0	8,489
General Carry Forwards	583	538	(583)	538	394	(538)	394
HRA Closedown	125	0	0	125	0	0	125
Property Trading Account	573	0	(573)	0	29	0	29
Building Control	231	0	(42)	189	0	(127)	62
Impairment Reserve	2,853	0	0	2,853	0	(853)	2,000
Revenue Grants	4,616	5,813	(4,616)	5,813	8,237	(5,813)	8,237
Pumping Stations	20	12	0	32	34	0	66
<b>Total Earmarked Reserves</b>	<b>15,429</b>	<b>8,534</b>	<b>(6,056)</b>	<b>17,907</b>	<b>13,701</b>	<b>(9,001)</b>	<b>22,607</b>

## 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.

	2010/11 £,000	2009/10 £,000
Parish council precepts	1,318	1,252
Payments to the Government Housing Capital Receipts Pool	14	50
Gains/losses on the disposal of non current assets	(1,812)	(664)
Levies	1,130	1,141
Other	0	0
	<b>650</b>	<b>1,779</b>

### Parish Council Precepts

	2010/11 £,000	2009/10 £,000		2010/11 £,000	2009/10 £,000
Alkborough	3.8	3.8	Horkstow	2.0	2.0
Amcotts	1.9	1.9	Keadby with Althorpe	29.0	29.0
Appleby	5.5	5.5	Kirmington & Croxton	8.0	8.0
Ashby Parkland	3.7	3.7	Kirton-in-Lindsey	68.0	60.0
Barnetby-le-wold	24.0	30.0	Luddington	4.0	4.0
Barrow-on-Humber	14.0	10.0	Manton	0.0	0.0
Barton-upon-Humber	163.8	162.3	Melton Ross	2.8	2.8
Belton	20.0	20.0	Messingham	50.0	50.0
Bonby	9.0	9.0	New Holland	7.5	7.5
Bottesford	100.0	100.0	North Killingholme	5.3	5.3
Brigg	117.0	97.7	Owston Ferry	10.0	13.0
Broughton	89.0	86.5	Redbourne	6.5	6.5
Burringham	11.5	10.5	Roxby-cum-Risby	5.5	5.0
Burton-upon-Stather	44.0	43.0	Saxby-all-Saints	1.9	1.9
Cadney-cum-Howsham	6.5	5.5	Scawby-cum-Sturton	30.0	30.0
Crowle	58.0	61.0	South Ferriby	13.1	13.1
East Butterwick	0.8	0.8	South Killingholme	14.5	14.5
East Halton	3.5	3.5	Thornton Curtis	1.0	1.0
Eastoft	3.7	3.7	Ulceby	12.5	12.5
Elsham	5.0	6.5	West Butterwick	0.0	0.0
Epworth	53.7	40.0	West Halton	5.1	4.7
Flixborough	15.0	15.0	Whitton	2.6	2.6
Garthorpe & Fockerby	6.0	3.0	Winteringham	12.5	12.0
Goxhill	39.0	42.8	Winterton	112.0	87.0
Gunness	34.0	34.0	Wootton	2.6	2.5
Haxey	35.0	30.0	Worlaby	11.0	11.0
Hibaldstow	11.0	15.0	Wrawby	13.0	13.0
Holme	0.2	0.3	Wroot	9.5	8.8
			<b>Total</b>	<b>1,318.2</b>	<b>1,252.3</b>

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

	2010/11 £,000	2009/10 £,000
Net Proceeds from Sale General	(2,079)	(1,501)
Disposal costs	33	172
Carrying amount of non-current assets sold (excl Investment Properties)	234	665
	<b>(1,812)</b>	<b>(664)</b>

## 10. Financing and investment Income and Expenditure

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

	2010/11 £,000	2009/10 £,000
Interest payable and similar charges	6,541	6,815
Pensions interest cost and expected return on pensions assets	9,170	12,085
Interest receivable and similar income	(268)	(302)
Income and expenditure in relation to investment properties and changes in their fair value	(555)	(11,633)
Other investment income	894	(419)
<b>Total</b>	<b>15,782</b>	<b>6,546</b>

### Interest Payable and Similar Charges

	2010/11 £,000	2009/10 £,000
Lease/hire purchase interest	59	0
Amortised Premiums	16	22
Loan Interest	6,836	6,946
Reversal of Impairment	(370)	(153)
	<b>6,541</b>	<b>6,815</b>

### Pensions interest cost and expected return on pensions assets

	2010/11 £,000	2009/10 £,000
Expected return on assets in the scheme	(24,256)	(15,101)
Interest cost	33,426	27,186
	<b>9,170</b>	<b>12,085</b>

### Interest and Investment Income

	2010/11 £,000	2009/10 £,000
Bank interest	0	0
Loans	(53)	(66)
Other Investment income	(215)	(236)
Interest received under leasing arrangements	0	0
	<b>(268)</b>	<b>(302)</b>

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

	2010/11 £,000	2009/10 £,000
<b>Income/Expenditure from Investment Properties:</b>		
Income including rental income	(2,241)	(2,579)
Expenditure	2,439	4,847
<i>Net income from investment properties</i>	<b>198</b>	<b>2,268</b>
<b>Surplus/deficit on sale of Investment Properties:</b>		
Proceeds from sale	(387)	(1,793)
Carrying amount of investment properties sold	1,067	1,198
<i>(Surplus)/deficit on sale of Investment Properties:</i>	<b>680</b>	<b>(595)</b>
<b>Changes in Fair Value of Investment Properties</b>	<b>(1,433)</b>	<b>(13,306)</b>
	<b>(555)</b>	<b>(11,633)</b>

Further detail is found in Note 13.

### Surplus/Deficit on trading operations

	2010/11 £,000	2009/10 £,000
Income from trading	(14,129)	(13,911)
Expenditure	15,023	13,492
<b>(Surplus)/Deficit for the year</b>	<b>894</b>	<b>(419)</b>

A breakdown of these trading operations is found in Note 30.

## 11. Taxation and Non-Specific Grant Income

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

Taxation and Non-Specific Grant Income		
	2010/11	2009/10
	£,000	£,000
Council Tax Income	67,467	65,325
NDR Redistribution	54,362	48,598
Non-ringfenced government grants	19,846	20,533
Capital Grants	41,108	38,333
<b>Total Taxation and Non-Specific Grant Income</b>	<b>182,783</b>	<b>172,789</b>

### Central Government Grants

	2010/11	2009/10
	£,000	£,000
Revenue Support Grant	7,894	11,217
Area Based Grants -	11,952	9,316
<b>Total</b>	<b>19,846</b>	<b>20,533</b>

### Capital Grants and Donated Assets-Applied

Capital Grants-Applied		
	2010/11	2009/10
	£,000	£,000
Government & Other Grants-Conditions met and applied in year	26,202	28,055
Government & Other Grants-transfer from receipts in advance and applied in year	0	0
<b>Total</b>	<b>26,202</b>	<b>28,055</b>

### Capital Grants Unapplied

Capital Grants-Unapplied		
	2010/11	2009/10
	£,000	£,000
Government & Other Grants-Conditions met and <b>not</b> applied.	14,906	10,278
<b>Total</b>	<b>14,906</b>	<b>10,278</b>

## 12. Property, Plant and Equipment

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

	Property, Plant & Equipment (PP&E)						Investment Properties	TOTAL
	Land & Buildings	Infrastructure Assets	Vehicles, Plant & Equipment	Community Assets	PP&E Under Construction	Total PP&E		
	£,000	£,000	£,000	£,000	£,000	£,000		
<b>Cost or Valuation</b>								
At 1 April 2010	351,520	59,288	14,944	2,734	19,741	448,227	44,935	493,162
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	0	0
Adjusted opening balance	<b>351,520</b>	<b>59,288</b>	<b>14,944</b>	<b>2,734</b>	<b>19,741</b>	<b>448,227</b>	<b>44,935</b>	<b>493,162</b>
Additions (Note 40)	19,918	5,829	2,741	0	32,427	60,915	125	61,040
Revaluation increases/decreases to Revaluation Reserve	1,534	(231)	0	0	0	1,303	0	1,303
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(30,118)	0	0	0	(426)	(30,544)	1,433	(29,111)
Derecognition - Disposals	(154)	0	0	0	0	(154)	(1,067)	(1,221)
Reclassifications & Transfers	3,452	0	0	0	(87)	3,365	(3,365)	0
Reclassified from Held for Sale	657	0	0	0	0	657	0	657
<b>Balance as at 31 March 2011</b>	<b>346,809</b>	<b>64,886</b>	<b>17,685</b>	<b>2,734</b>	<b>51,655</b>	<b>483,769</b>	<b>42,061</b>	<b>525,830</b>
<b>Depreciation and Impairment</b>								
At 1 April 2010	13,521	6,875	6,248	0	0	26,644	11	26,655
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	0	0
Adjusted opening balance	13,521	6,875	6,248	0	0	26,644	11	26,655
Depreciation Charge	8,733	2,013	2,570	0	0	13,316	0	13,316
Depreciation written out on Revaluation Reserve	(7,590)	(231)	0	0	0	(7,821)	0	(7,821)
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	(11)	(11)
Impairment losses/reversals to Revaluation Reserve	491	0	0	0	0	491	0	491
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	169	0	0	0	0	169	0	169
Reclassifications & Transfers	0	0	0	0	0	0	0	0
Eliminated on reclassification to Held for Sale	(13)	0	0	0	0	(13)	0	(13)
<b>Balance as at 31 March 2011</b>	<b>15,311</b>	<b>8,657</b>	<b>8,818</b>	<b>0</b>	<b>0</b>	<b>32,786</b>	<b>0</b>	<b>32,786</b>
<b>Net Book Value</b>								
<b>Balance as at 31 March 2011</b>	<b>331,498</b>	<b>56,229</b>	<b>8,867</b>	<b>2,734</b>	<b>51,655</b>	<b>450,983</b>	<b>42,061</b>	<b>493,044</b>
<b>Balance as at 31 March 2010</b>	<b>337,999</b>	<b>52,413</b>	<b>8,696</b>	<b>2,734</b>	<b>19,741</b>	<b>421,583</b>	<b>44,924</b>	<b>466,507</b>

	Property, Plant & Equipment (PP&E)							
	Land & Buildings	Infrastructure Assets	Vehicles, Plant & Equipment	Community Assets	PP&E Under Construction	Total PP&E	Investment Properties	TOTAL
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
<b>Cost or Valuation</b>								
Balance as At 1 April 2009	373,990	52,257	12,061	2,735	7,799	448,842	32,490	481,332
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	0	0
Adjusted opening balance	<b>373,990</b>	<b>52,257</b>	<b>12,061</b>	<b>2,735</b>	<b>7,799</b>	<b>448,842</b>	<b>32,490</b>	<b>481,332</b>
Additions (Note 40)	21,060	7,028	2,883	0	11,942	42,913	337	43,250
Donations	0	0	0	0	0	0		0
Revaluation increases/decreases to Revaluation Reserve	10,723	3	0	2	0	10,728		10,728
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(53,733)	0	0	(3)	0	(53,736)	13,306	(40,430)
Derecognition - Disposals	(520)	0	0	0	0	(520)	(1,198)	(1,718)
Derecognition - Other	0	0	0	0	0	0	0	0
Reclassifications & Transfers	0	0	0	0	0	0	0	0
Reclassified to Held for Sale	0	0	0	0	0	0	0	0
Reclassified from Held for Sale	0	0	0	0	0	0	0	0
<b>At 31 March 2010</b>	<b>351,520</b>	<b>59,288</b>	<b>14,944</b>	<b>2,734</b>	<b>19,741</b>	<b>448,227</b>	<b>44,935</b>	<b>493,162</b>
<b>Depreciation and Impairment</b>								
Adjusted opening balance	15,263	5,178	4,063	0	0	24,504	11	24,515
Depreciation Charge	7,042	1,697	2,185	0	0	10,924	0	10,924
Depreciation written out on Revaluation Reserve	(8,784)	0	0	0	0	(8,784)	0	(8,784)
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Reclassifications & Transfers	0	0	0	0	0	0	0	0
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0	0	0
<b>At 31 March 2010</b>	<b>13,521</b>	<b>6,875</b>	<b>6,248</b>	<b>0</b>	<b>0</b>	<b>26,644</b>	<b>11</b>	<b>26,655</b>
<b>Net Book Value</b>								
<b>At 31 March 2010</b>	<b>337,999</b>	<b>52,413</b>	<b>8,696</b>	<b>2,734</b>	<b>19,741</b>	<b>421,583</b>	<b>44,924</b>	<b>466,507</b>
Balance as at 31 March 2009	358,727	47,079	7,998	2,735	7,799	424,338	32,479	456,817

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

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

#### Income/Expenditure from Investment Properties

	31/03/11	31/03/10
	£,000	£,000
Rental income from investment property	(2,241)	(2,579)
Direct operating expenses arising from investment property	2,439	4,847
'Net Gain/Loss included in Financing & Investment Income in the CIES'	<b>198</b>	<b>2,268</b>

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

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

	31/03/11	31/03/10
	£,000	£,000
Balance at start of the year	44,935	32,490
Additions:		
- Purchases	0	0
- Construction	125	337
- Subsequent expenditure	0	0
Disposals	(1,067)	(1,198)
Net gains/losses from fair value adjustments	1,433	13,306
Transfers:		
- to/from Inventories	0	0
-to/from Property, Plant and Equipment	0	0
Other changes	0	0
Balance at end of the year	45,426	44,935

### 14. Intangible Assets

The council does not hold any intangible assets.

## 15. Financial Instruments

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

	Long-term			Current		
	31/03/11 £,000	31/03/10 £,000	01/04/09 £,000	31/03/11 £,000	31/03/10 £,000	01/04/09 £,000
<b>Investments</b>						
Loans and receivables	0	0	0	0	0	0
Available-for-sale financial assets	0	0	0	2,893	3,053	4,124
Unquoted equity investment at cost	1,500	1,500	1,495	0	0	0
Financial assets at fair value through profit and loss	0	0	0	0	0	0
<b>Total investments</b>	<b>1,500</b>	<b>1,500</b>	<b>1,495</b>	<b>2,893</b>	<b>3,053</b>	<b>4,124</b>
<b>Debtors</b>						
Loans and receivables	1,266	1,369	1,390	0	0	0
Financial assets carried at contract amounts	0	0	0	23,962	21,605	19,730
<b>Total Debtors</b>	<b>1,266</b>	<b>1,369</b>	<b>1,390</b>	<b>23,962</b>	<b>21,605</b>	<b>19,730</b>
<b>Borrowings</b>						
Financial liabilities at amortised cost	110,743	116,236	117,792	5,647	1,470	1,450
Financial liabilities at fair value through profit and loss	0	0	0	0	0	0
<b>Total borrowings</b>	<b>110,743</b>	<b>116,236</b>	<b>117,792</b>	<b>5,647</b>	<b>1,470</b>	<b>1,450</b>
<b>Other Long Term Liabilities</b>						
PFI and finance lease liabilities	525	780	691	256	333	373
<b>Total other long term liabilities</b>	<b>111,268</b>	<b>117,016</b>	<b>118,483</b>	<b>5,903</b>	<b>1,803</b>	<b>1,823</b>
<b>Creditors</b>						
Financial liabilities at amortised cost	0	0	0	0	0	0
Financial liabilities carried at contract amount	0	0	0	26,960	28,615	24,663
<b>Total creditors</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>26,960</b>	<b>28,615</b>	<b>24,663</b>

	2010/11					2009/10				
	Financial Liabilities	Financial Assets			Assets and Liabilities at Fair Value through Profit and Loss	Financial Liabilities	Financial Assets			Assets and Liabilities at Fair Value through Profit and Loss
	Liabilities measured at amortised cost £,000	Loans and receivables £,000	Available-for-sale assets £,000	Total £,000		Liabilities measured at amortised cost £,000	Loans and receivables £,000	Available-for-sale assets £,000	Total £,000	
Interest expense	6,911	-	0	-	6,911	6,967	-	0	-	6,967
Losses on derecognition	0	0	0	0	0	0	0	0	0	0
Reductions in fair value	-	-	0	0	0	-	-	-	0	0
Impairment losses	-	0	853	-	853	-	0	1,223	-	1,223
Fee expense	0	0	0	0	0	0	0	0	0	0
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>6,911</b>	<b>0</b>	<b>853</b>	<b>0</b>	<b>7,764</b>	<b>6,967</b>	<b>0</b>	<b>1,223</b>	<b>0</b>	<b>8,190</b>
Interest income	-	0	0	-	0	-	0	0	-	0
Reversal of previous impairment losses	-	0	(1,223)	-	(1,223)	-	0	(1,376)	-	(1,376)
Increases in fair value	-	-	0	0	0	-	-	0	0	0
Gains on derecognition	0	0	0	0	0	0	0	0	0	0
Fee income	0	0		0	0	0	0	0	0	0
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>0</b>	<b>(1,223)</b>	<b>0</b>	<b>(1,223)</b>	<b>0</b>	<b>0</b>	<b>(1,376)</b>	<b>0</b>	<b>(1,376)</b>
Gains on revaluation	-	-	0	-	0	-	-	0	-	0
Losses on revaluation	-	-	0	-	0	-	-	0	-	0
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	0	-	0	-	-	0	-	0
<b>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net gain/(loss) for the year</b>	<b>6,911</b>	<b>0</b>	<b>(370)</b>	<b>0</b>	<b>6,541</b>	<b>6,967</b>	<b>0</b>	<b>(153)</b>	<b>0</b>	<b>6,814</b>

## 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 2011 of 4.2% to 11.25% for loans from the PWLB and 9.69% to 12.13% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows

	31/03/2011		31/03/2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	£,000	£,000	£,000	£,000
Financial liabilities	111,334	126,333	116,236	125,329
Long-term creditors	0	0	0	0

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2011) arising from a commitment to pay interest to lenders above current market rates.

## 16. Inventories

Inventories are assets:

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

in the process of production for sale or distribution.

	2010/11	2009/10	2008/09
	£,000	£,000	£,000
Councilwide Services Inventory	7	12	11
Nenv Services Inventory	223	251	220
Highways Salt Inventory	30	10	26
Normanby Hall Trading	11	11	18
Sports Facilities Trading	20	20	13
Highways Materials	130	127	149
Community Store - Adults	44	30	52
<b>Total</b>	<b>465</b>	<b>461</b>	<b>489</b>



## 19. Cash and Cash Equivalents

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

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

	2010/11	2009/10	2008/09
	£,000	£,000	£,000
Cash and Bank balances	937	1,640	2,124
Short Term Investments (considered to be Cash Equivalents)	16,320	27,184	20,798
Short Term Deposits (considered to be Cash Equivalents)	0	0	0
Bank Overdraft	(3,227)	(4,527)	(2,186)
<b>Total</b>	<b>14,030</b>	<b>24,297</b>	<b>20,736</b>

## 20. Assets held for sale

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

	Current		Non Current	
	31/03/11 £000's	31/03/10 £000's	31/03/11 £000's	31/03/10 £000's
<b>Balance outstanding at start of year</b>	<b>0</b>	<b>0</b>	<b>5,286</b>	3,048
<b>Assets newly classified as held for sale:</b>				
Additions	0	0	0	0
Transfers from Other Non Current assets	0	0	0	0
Transferred from Non-Current Assets during year		0	-671	0
Revaluation Gains losses taken to Surplus or deficit on the provision of services	0	0	302	-33
Revaluation gains losses other	0	0	423	2,481
Impairment losses	0	0	0	-65
Assets declassified as held for sale:	0	0	0	0
Assets sold Cost	0	0	-80	-145
Other Disposals	0	0	0	0
Transfers from non current to current	0	0	0	0
<b>Balance outstanding at year-end</b>	<b>0</b>	<b>0</b>	<b>5,260</b>	<b>5,286</b>

## 21. Creditors

### Short Term Creditors

These are amounts owed by the Council in the next twelve months, to 31<sup>st</sup> March 2012.

	2010/11	2009/10	2008/09
	£,000	£,000	£,000
Government Departments	4,729	9,789	9,373
Other Authorities	1,322	1,714	2,027
NHS Bodies	24	5	11
Public corporations and trading funds	0	0	0
Bodies external to general government	0	0	0
NDR & Council Tax	0	0	0
HRA	0	0	0
Remuneration due to employees	0	0	0
Accumulated Absences	4,652	5,099	5,269
Receipts in advance	1,744	1,718	2,004
Trade creditors	0	0	0
Capital Contributions unapplied	0	0	0
Sundry Creditors	14,489	10,290	5,979
<b>Total Short Term Creditors</b>	<b>26,960</b>	<b>28,615</b>	<b>24,663</b>

### Long Term Creditors

These are amounts owed by the Council and due for payment after 31<sup>st</sup> March 2012

	2010/11	2009/10	2008/09
	£,000	£,000	£,000
<b>Other creditors falling due after more than one year</b>			
Government Departments	0	0	0
Other Councils	0	0	0
HRA	0	0	0
Public corporations and trading funds	0	0	0
Bodies external to general government	0	0	0
Other	43	0	0
<b>Total Long Term Creditors</b>	<b>43</b>	<b>0</b>	<b>0</b>
<b>Total Creditors</b>	<b>27,003</b>	<b>28,615</b>	<b>24,663</b>

## 22. Provisions

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

	At 1 April 2010	Increase in provision during year	Utilised during year	Unused Amounts Reversed	Interest earned	Balance as at 31 March 2011
	£,000	£,000	£,000	£,000	£,000	£,000
Insurance Claims	1,400	1,147	743	0	0	1,804
Other	110	38	82	0	0	66
	<b>1,510</b>	<b>1,185</b>	<b>825</b>	<b>0</b>	<b>0</b>	<b>1,870</b>

<b>Current Provisions</b>	230	257	224	0	0	263
<b>Long Term Provisions</b>	1,280	928	601	0	0	1,607
	<b>1,510</b>	<b>1,185</b>	<b>825</b>	<b>0</b>	<b>0</b>	<b>1,870</b>

### Comparative Year

	Balance as At 1 April 2009	Increase in provision during year	Utilised during year	Unused Amounts Reversed	Interest earned	Balance as at 31 March 2010
	£,000	£,000	£,000	£,000	£,000	£,000
Insurance Claims	1,093	688	381	0	0	1,400
Other	250	22	162	0	0	110
	<b>1,343</b>	<b>710</b>	<b>543</b>	<b>0</b>	<b>0</b>	<b>1,510</b>

<b>Current Provisions</b>	344	81	195	0	0	230
<b>Long Term Provisions</b>	999	629	348	0	0	1,280
	<b>1,343</b>	<b>710</b>	<b>543</b>	<b>0</b>	<b>0</b>	<b>1,510</b>

## 23. Reserves Workings

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

	USABLE RESERVES					UNUSABLE RESERVES								TOTAL UNUSABLE RESERVES	TOTAL AUTHORITY RESERVES
	Capital Receipts Reserve	Capital Grants Unapplied Account (new)	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			
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	
<b>At 1 April 2010</b>	1,600	12,995	17,907	8,468	<b>40,970</b>	278,956	(1,223)	67,817	(322,917)	35	1,459	(5,099)	<b>19,028</b>	<b>59,998</b>	
<b>Movements during the year:</b>															
Applied Capital Grants				(26,202)	<b>(26,202)</b>	26,202							<b>26,202</b>	<b>0</b>	
Unapplied Capital Grants received in year		14,906		(14,906)	<b>0</b>								<b>0</b>	<b>0</b>	
Unapplied Capital Grants transferred to CAA in year		(11,177)			<b>(11,177)</b>	11,177							<b>11,177</b>	<b>0</b>	
Direct Revenue Financing	7			(278)	<b>(278)</b>	278							<b>278</b>	<b>0</b>	
Depreciation & impairment adjustment	7			42,283	<b>42,283</b>	(42,283)							<b>(42,283)</b>	<b>0</b>	
Loans/lease principal repayments	7			(333)	<b>(333)</b>	333							<b>333</b>	<b>0</b>	
Net Revenue expenditure funded from capital under statute	7			1,840	<b>1,840</b>	(1,840)							<b>(1,840)</b>	<b>0</b>	
Surplus/(Deficit) on the Provision of Services				63,372	<b>63,372</b>								<b>0</b>	<b>63,372</b>	
Transfer from Useable Capital Receipts equal to the amount payable into the Housing Capital Receipt Pool	7	(14)		14	<b>0</b>								<b>0</b>	<b>0</b>	
Transfers to or from earmarked reserves			4,700	(4,700)	<b>0</b>								<b>0</b>	<b>0</b>	
Net movements on Pension Reserve	47			(53,283)	<b>(53,283)</b>				53,283				<b>53,283</b>	<b>0</b>	
Disposal of Fixed Assets/Capital Sales	7	2,433		(1,132)	<b>1,301</b>	(1,301)							<b>(1,301)</b>	<b>0</b>	
Minimum Revenue Provision For Capital Funding	7			(5,525)	<b>(5,525)</b>	5,525							<b>5,525</b>	<b>0</b>	
Capital Receipts used to finance capital expenditure		(2,424)			<b>(2,424)</b>	2,424							<b>2,424</b>	<b>0</b>	
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	7			67	<b>67</b>						(67)		<b>(67)</b>	<b>0</b>	
Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	7			(1,670)	<b>(1,670)</b>		1,223					447	<b>1,670</b>	<b>0</b>	
Revaluation	12				<b>0</b>			9,056	92,623				<b>101,679</b>	<b>101,679</b>	
Other Movements		12		0	<b>12</b>	1,629		(1,629)		(12)			<b>(12)</b>	<b>0</b>	
<b>Total movements on reserves during the year (Change in Net Worth)</b>	<b>7</b>	<b>3,729</b>	<b>4,700</b>	<b>(453)</b>	<b>7,983</b>	<b>2,144</b>	<b>1,223</b>	<b>7,427</b>	<b>145,906</b>	<b>(12)</b>	<b>(67)</b>	<b>447</b>	<b>157,068</b>	<b>165,051</b>	
<b>Balance as at 31 March 2011</b>	<b>1,607</b>	<b>16,724</b>	<b>22,607</b>	<b>8,015</b>	<b>48,953</b>	<b>281,100</b>	<b>0</b>	<b>75,244</b>	<b>(177,011)</b>	<b>23</b>	<b>1,392</b>	<b>(4,652)</b>	<b>176,096</b>	<b>225,049</b>	

	USABLE RESERVES					UNUSABLE RESERVES							TOTAL AUTHORITY 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	
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	
<b>Balance as At 1 April 2009</b>	1,000	6,887	15,429	9,104	<b>32,420</b>	294,753	(1,376)	45,824	(161,418)	52	1,095	(5,269)	<b>173,661</b>	<b>206,081</b>	
<b>Movements during the year:</b>															
Applied Capital Grants	11			(28,055)	<b>(28,055)</b>	28,055							<b>28,055</b>	<b>0</b>	
Unapplied Capital Grants received in year	11		10,278		<b>0</b>								<b>0</b>	<b>0</b>	
Unapplied Capital Grants transferred to CAA in year			(4,170)		<b>(4,170)</b>	4,170							<b>4,170</b>	<b>0</b>	
Direct Revenue Financing	7			(182)	<b>(182)</b>	182							<b>182</b>	<b>0</b>	
Depreciation & impairment adjustment	7			51,452	<b>51,452</b>	(51,452)							<b>(51,452)</b>	<b>0</b>	
Loans/lease principal repayments	7			(452)	<b>(452)</b>	452							<b>452</b>	<b>0</b>	
Net Revenue expenditure funded from capital under statute	7			2,941	<b>2,941</b>	(2,941)							<b>(2,941)</b>	<b>0</b>	
Surplus/(Deficit) on the Provision of Services				(8,977)	<b>(8,977)</b>								<b>0</b>	<b>(8,977)</b>	
TRANSFER FROM Useable Capital Receipts equal to the amount payable into the Housing Capital Receipt Pool	7	(50)		50	<b>0</b>								<b>0</b>	<b>0</b>	
Transfers to or from earmarked reserves			2,478	(2,478)	<b>0</b>								<b>0</b>	<b>0</b>	
Net movements on Pension Reserve	47			2,400	<b>2,400</b>				(2,400)				<b>(2,400)</b>	<b>0</b>	
Disposal of Fixed Assets/Capital Sales	7	3,122		(1,259)	<b>1,863</b>	(1,863)							<b>(1,863)</b>	<b>0</b>	
Minimum Revenue Provision For Capital Funding	7			(5,111)	<b>(5,111)</b>	5,111							<b>5,111</b>	<b>0</b>	
Capital Receipts used to finance capital expenditure		(2,489)			<b>(2,489)</b>	2,489							<b>2,489</b>	<b>0</b>	
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	7			(364)	<b>(364)</b>						364		<b>364</b>	<b>0</b>	
Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	7			(323)	<b>(323)</b>		153					170	<b>323</b>	<b>0</b>	
Revaluation	12				<b>0</b>			21,993	(159,099)				<b>(137,106)</b>	<b>(137,106)</b>	
Other Movements		17		0	<b>17</b>	0		0		(17)			<b>(17)</b>	<b>0</b>	
<b>Total movements on reserves during the year (Change in Net Worth)</b>		<b>600</b>	<b>6,108</b>	<b>2,478</b>	<b>(636)</b>	<b>8,550</b>	<b>(15,797)</b>	<b>153</b>	<b>21,993</b>	<b>(161,499)</b>	<b>(17)</b>	<b>364</b>	<b>170</b>	<b>(154,633)</b>	<b>(146,083)</b>
<b>Balance as at 31 March 2010</b>		<b>1,600</b>	<b>12,995</b>	<b>17,907</b>	<b>8,468</b>	<b>40,970</b>	<b>278,956</b>	<b>(1,223)</b>	<b>67,817</b>	<b>(322,917)</b>	<b>35</b>	<b>1,459</b>	<b>(5,099)</b>	<b>19,028</b>	<b>59,998</b>

## 24. Useable and Unuseable Reserves

### Capital Receipts Reserve

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

	31/03/11	31/03/10
	£,000	£,000
<b>Balance 1 April</b>	<b>1,600</b>	<b>1,000</b>
Capital Receipts in year	2,445	3,139
	<b>4,045</b>	<b>4,139</b>
<b>Less:</b>		
Capital Receipts Pooled	(14)	(50)
Capital Receipts used for financing	(2,424)	(2,489)
<b>Balance 31 March</b>	<b>1,607</b>	<b>1,600</b>

### Capital Grants Unapplied

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

	31/03/11	31/03/10
	£,000	£,000
<b>Balance on 1 April</b>	<b>12,995</b>	<b>6,887</b>
Unapplied Capital Grants received in year	14,906	10,278
Unapplied Capital Grants transferred to CAA in year	(11,177)	(4,170)
<b>Balance on 31 March</b>	<b>16,724</b>	<b>12,995</b>

### Analysis of Capital Grants Receipts in Advance Balance

The balances at the year-end are as follows:

	Note	2010/11	2009/10	2008/09
		£,000	£,000	£,000
<b>Capital Grants Receipts in Advance</b>				
Dclg - Gypsy & Traveller Sites		-407	-470	-535
Barton Youth Club - Big Lottery Fund		0	0	-258
New Deal For Schools		-13,660	-9,571	-1,782
Foxhills (Friends Sponsorship)		-7	-7	0
Prg Lpsa Capital Element		-138	-720	-576
Apss Single Capital Pot		-334	-150	-115
Small Business Loans		0	0	-1
Erdf Capital		-2	-2	-2
Improved Storage - 20/21 Arts		-27	-27	0
Adult Social Care IT Infrastructure		-150	-97	-47
Yorks Fwd-Urban Renaissance		-48	-115	-110
Yorkshire Forward Single Pot		8	0	0
Safer & Stronger Communities		0	0	-41
Social Care Reform Grant		-94	0	0
South Humber Bank Heritage Project		-85	-233	0
Sub Regional Housing Project		-15	-76	-912
Advance Crosby		-203	0	0
Waste Performance Enhancement		-41	-41	-41
Sub Regional Scheme Management		0	-71	-130
Section 106 - Capital Contributions		-829	-778	-980
Grant For Imp Care Home Enviro		-14	-14	-24
Local Transport Plan		0	0	-80
Regional Housing Project Capital Grant		-66	-44	-261
Flood Grants		0	0	-398
Defra Wicg Grant		-29	0	-74
Aiming High for Disabled Children		0	-80	0
Alkborough Flats		-2	-2	-2
Ashby National Neighbourhood Initiative		-2	0	0
Big Lottery - Baysgarth		0	0	0
Burringham Parish Council		-5	0	0
Childrens Centre Alphabet Nursery		-9	0	0
Childrens Centre Rainbow Kindergarten		-3	0	0
Childrens Centre Little Tots		-1	0	0
Childrens Centre South Ferriby Pre-School		-2	0	0
Childrens Centre Happy Stars Day Nursery		-14	0	0
Childrens Centre Burton Bears		-4	0	0
Childrens Centre The Ark Family Centre		-5	0	0
Childrens Centre Epworth Thurlow Pre School		-1	0	0
Childrens Centre Winteringham		-1	0	0
Coneygarth Farm Day Nursery		-12	0	0
Council Tax Bill Design		0	-10	-2
Crowle Community Resource Cent		-78	-78	-78
Digital TV Channel		0	0	-10
Do Re Me		-1	0	0
East Common Pre-School		-4	0	0
Flood Recovery Grant		-41	-41	-41
Flood Relief Capital Grant		-65	-65	-65
Haxey Preschool		-3	0	0
Henderson Ave - Sure Start L Programme		-58	0	0
Humber Headlevels Natural England		-45	-78	-45
Huntcliff Specialist School		0	-10	0
Safety Camera Partnership Dft		-14	-38	-58
Scawby Conbtribution To Capital		-13	0	0
Secret Garden		-15	0	0
Special Schools		-2	-2	-47
Ulceby		-2	0	0
Wave2 Playbuilder Contributions		-6	0	0
Specified Capital Grant		-175	-175	-175
		<b>-16,724</b>	<b>-12,995</b>	<b>-6,890</b>

## Unuseable Reserves

	31/03/11 £,000	31/03/10 £,000
Capital Adjustment Account	277,842	278,956
Financial Instruments Adjustment Account	0	(1,223)
Revaluation Reserve	75,244	67,817
Pensions Reserve	(177,011)	(322,917)
Deferred Capital Receipts Reserve (England and Wales)	23	35
Collection Fund Adjustment Account	1,392	1,459
Accumulating Compensated Absences Adjustment Account	(4,652)	(5,099)
<b>Total Unusable Reserves</b>	<b>172,838</b>	<b>19,028</b>

### 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.

	31/03/2011		31/03/2010	
	£,000	£,000	£,000	£,000
<b>Balance at 1 April</b>		<b>278,956</b>		<b>294,753</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non current assets	(13,485)		(10,989)	
Revaluation losses on Property, Plant and Equipment	(28,798)		(40,463)	
Revenue expenditure funded from capital under statute	(1,840)		(2,941)	
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	(1,301)		(1,863)	
		<b>(45,424)</b>		<b>(56,256)</b>
Adjusting amounts written out of the Revaluation Reserve		(1,629)		0
<b>Net written out amount of the cost of non current assets consumed in the year</b>		<b>(47,053)</b>		<b>(56,256)</b>
<b>Capital financing applied in the year:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	2,424		2,489	
Loans Lease principal repayments	333		452	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	26,202		28,055	
Application of grants to capital financing from the Capital Grants Unapplied Account	11,177		4,170	
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	5,525		5,111	
Capital expenditure charged against the General Fund and HRA balances	278		182	
		<b>45,939</b>		<b>40,459</b>
<b>Balance at 31 March</b>		<b>277,842</b>		<b>278,956</b>

### Financial Instruments Adjustment Account

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

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

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

	31/03/11 £,000	31/03/10 £,000
<b>Balance at 1 April</b>	<b>(1,223)</b>	<b>(1,376)</b>
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0	0
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	0	0
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	1,223	153
<b>Balance at 31 March</b>	<b>0</b>	<b>(1,223)</b>

### Revaluation Reserve

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

The balance is reduced when assets with accumulated gains are:

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

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

	31/03/11 £,000	31/03/10 £,000
<b>Balance at 1 April</b>	67,817	45,824
Upward revaluation of assets	9,056	21,993
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0	0
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	<b>76,873</b>	<b>67,817</b>
Difference between fair value depreciation and historical cost depreciation	(1,629)	0
<b>Balance at 31 March</b>	<b>75,244</b>	<b>67,817</b>

### 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.

	31/03/11 £,000	31/03/10 £,000
<b>Balance at 1 April</b>	<b>(322,917)</b>	<b>(161,418)</b>
Actuarial gains or losses on pensions assets and liabilities	92,623	(159,099)
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	53,283	(2,400)
<b>Balance at 31 March</b>	<b>(177,011)</b>	<b>(322,917)</b>

### 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.

	31/03/11	31/03/10
	£,000	£,000
<b>Balance at 1 April</b>	<b>35</b>	<b>52</b>
Transfer to the Capital Receipts Reserve upon receipt of cash	(12)	(17)
<b>Balance at 31 March</b>	<b>23</b>	<b>35</b>

#### Collection Fund Adjustment Account

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

	31/03/11	31/03/10
	£,000	£,000
<b>Balance at 1 April</b>	<b>1,459</b>	<b>1,095</b>
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(67)	364
<b>Balance at 31 March</b>	<b>1,392</b>	<b>1,459</b>

#### 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.

	31/03/11	31/03/10
	£,000	£,000
<b>Balance at 1 April</b>	<b>(5,099)</b>	<b>(5,269)</b>
Settlement or cancellation of accrual made at the end of the preceding year		
Amounts accrued at the end of the current year	447	170
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		
<b>Balance at 31 March</b>	<b>(4,652)</b>	<b>(5,099)</b>

## 25. Analysis of Adjustments to Surplus/Deficit on the Provision of Services

The two tables below indicate a breakdown of the non-cash movements on the provision of services.

Analysis of Adjustments to Surplus/Deficit on the Provision of Services		
	2010/11	2009/10
	£,000	£,000
<b>Net Surplus or (Deficit) on the Provision of Services</b>	<b>63,372</b>	<b>(8,977)</b>
<b>Adjustment to surplus or deficit on the provision of services for noncash movements</b>		
Charges for depreciation and impairment of non current assets	13,485	10,989
Revaluation losses on Property Plant and Equipment	28,798	40,463
(Increase)/Decrease in Inventory	(4)	28
(Increase)/Decrease in Debtors	(1,288)	4,292
Amortised Premium	16	22
Increase/(Decrease) in Creditors	34	928
Increase/(Decrease) in Interest Creditors	(5)	(9)
Pension Adjustments	(53,283)	2,400
Carrying amount of non-current assets sold	1,301	1,863
Contributions to Other Reserves/Provisions	360	167
Adjust for Impairment reduction on cash equivalents	(370)	(153)
<b>Sub-Total</b>	<b>(10,956)</b>	<b>60,990</b>
Capital Grants credited to the provision of service	(41,108)	(38,333)
Proceeds from sale of Property, Plant & Equipment	(2,466)	(3,294)
<b>Sub-Total</b>	<b>(43,574)</b>	<b>(41,627)</b>
<b>Total</b>	<b>8,842</b>	<b>10,386</b>

## 26. Cash Flow From Investing Activities

	2010/11	2009/10
	£,000	£,000
Purchase of PP&E, investment property and intangible assets	(62,239)	(39,460)
Purchase of Long Term Investments	0	(5)
New Finance leases	0	423
Other Payments for Investing Activities	(47)	(222)
Long term loans granted	0	(50)
Other Capital Cash Receipts	79	57
Proceeds from the sale of short term investments	530	1,224
Capital Grants Received	47,000	34,717
Proceeds from the sale of property, plant and equipment	2,208	3,205
<b>Net Cash flows from Investing Activities</b>	<b>(12,469)</b>	<b>(111)</b>

## 27. Cash flows from Financing Activities

	2010/11	2009/10
	£,000	£,000
Cash Receipts from Short and Long Term Borrowing	0	48
Appropriation to/from Collection Fund Adjustment Account	(67)	364
Cash payments for the reduction of the outstanding liability relating to a finance lease and on-Balance Sheet PFI contracts	(332)	(374)
Repayment of Short and Long Term Borrowing	(1,327)	(1,597)
Council Tax and NNDR Adjustments	(4,914)	(5,155)
<b>Net Cash flows from Financing Activities</b>	<b>(6,640)</b>	<b>(6,714)</b>

	2010/11	2009/10
	£,000	£,000
Interest Paid	(6,326)	(6,977)
Interest Received	264	473
<b>Net Cash flows relating to interest</b>	<b>(6,062)</b>	<b>(6,504)</b>

## 28. Amounts Reported for Resource Allocation Decisions

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

2010/11	Childrens & Young Peoples Services	Adult Social Care	Asset Management and Culture	Highways and Planning	Community Planning & Resources	Schools	Neighbourhood Services	Central Budgets	Finance, Human Resources and Legal & Democratic	Total
	£,000	£,000	£,000		£,000	£,000	£,000	£,000	£,000	£,000
Fees, charges & other service income	7,409	22,199	11,629	12,060	1,813	4,825	17,435	4,531	6,102	<b>88,003</b>
Government grants	31,968	3,239	241	2,217	2,270	100,860	618	2,741	53,170	<b>197,324</b>
<b>Total Income</b>	<b>39,377</b>	<b>25,438</b>	<b>11,870</b>	<b>14,277</b>	<b>4,083</b>	<b>105,685</b>	<b>18,053</b>	<b>7,272</b>	<b>59,272</b>	<b>285,327</b>
Employee expenses	29,336	15,474	9,879	9,032	6,216	81,816	15,970	3,792	10,439	<b>181,954</b>
Other service expenses	39,417	48,815	9,248	14,933	4,084	24,322	19,490	25,200	57,461	<b>242,970</b>
<b>Total Expenditure</b>	<b>68,753</b>	<b>64,289</b>	<b>19,127</b>	<b>23,965</b>	<b>10,300</b>	<b>106,138</b>	<b>35,460</b>	<b>28,992</b>	<b>67,900</b>	<b>424,924</b>
<b>Net Expenditure</b>	<b>29,376</b>	<b>38,851</b>	<b>7,257</b>	<b>9,688</b>	<b>6,217</b>	<b>453</b>	<b>17,407</b>	<b>21,720</b>	<b>8,628</b>	<b>139,597</b>

2009/10	Childrens & Young Peoples Services	Adult Social Care	Asset Management and Culture	Highways and Planning	Community Planning & Resources	Schools	Neighbourhood Services	Central Budgets	Finance, Human Resources and Legal & Democratic	Total
	£,000	£,000	£,000		£,000	£,000	£,000	£,000	£,000	£,000
Fees, charges & other service income	7,515	19,918	11,936	13,940	1,505	4,516	16,634	9,774	5,988	<b>91,726</b>
Government grants	21,472	4,207	38	626	2,086	96,564	607	1,742	49,328	<b>176,670</b>
<b>Total Income</b>	<b>28,987</b>	<b>24,125</b>	<b>11,974</b>	<b>14,566</b>	<b>3,591</b>	<b>101,080</b>	<b>17,241</b>	<b>11,516</b>	<b>55,316</b>	<b>268,396</b>
Employee expenses	28,554	15,961	10,207	8,986	6,622	79,597	16,364	3,697	10,585	<b>180,573</b>
Other service expenses	29,753	43,211	9,310	14,917	3,521	22,118	18,660	27,632	53,433	<b>222,555</b>
<b>Total Expenditure</b>	<b>58,307</b>	<b>59,172</b>	<b>19,517</b>	<b>23,903</b>	<b>10,143</b>	<b>101,715</b>	<b>35,024</b>	<b>31,329</b>	<b>64,018</b>	<b>403,128</b>
<b>Net Expenditure</b>	<b>29,320</b>	<b>35,047</b>	<b>7,543</b>	<b>9,337</b>	<b>6,552</b>	<b>635</b>	<b>17,783</b>	<b>19,813</b>	<b>8,702</b>	<b>134,732</b>

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

	2010/11	2009/10
	£,000	£,000
Net expenditure in the Service Analysis	139,597	134,732
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	-192,303	-116,267
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-10,666	-9,488
	-63,372	8,977

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

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

2009/10	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Fees, charges & other service income	91,726	-	-2,400	-	-	-	-	<b>89,326</b>
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-	<b>0</b>
Interest and investment income	-	-	-	-	-	-	-	<b>0</b>
Income from council tax	-	-	-	364	-	-	63,709	<b>64,073</b>
Government grants and contributions	176,670	-	38,333	3,733	-	-	69,132	<b>287,868</b>
<b>Total Income</b>	<b>268,396</b>	<b>0</b>	<b>35,933</b>	<b>4,097</b>	<b>0</b>	<b>0</b>	<b>132,841</b>	<b>441,267</b>
Employee expenses	180,573	-	-	-	-	-170	-	<b>180,403</b>
Other service expenses	222,555	-	-153	-5,745	-	2,941	-	<b>219,598</b>
Support Service recharges	-	-	-	-	-	-	-	<b>0</b>
Depreciation, amortisation and impairment	-	-	51,452	-	-	-	-	<b>51,452</b>
Interest Payments	-	-	-	-	-	-	-	<b>0</b>
Precepts & Levies	-	-	-	-	-	-	-	<b>0</b>
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	50	<b>50</b>
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	-1,259	<b>-1,259</b>
<b>Total expenditure</b>	<b>403,128</b>	<b>0</b>	<b>51,299</b>	<b>-5,745</b>	<b>0</b>	<b>2,771</b>	<b>-1,209</b>	<b>450,244</b>
<b>Surplus or deficit on the provision of services</b>	<b>134,732</b>	<b>0</b>	<b>15,366</b>	<b>-9,842</b>	<b>0</b>	<b>2,771</b>	<b>-134,050</b>	<b>8,977</b>

## 29. Acquired and Discontinued Operations

During 2010/11, North Lincolnshire Council took over the running of Connexions including the transfer of Connexions staff

### 30. Significant Trading Operations

	2010/11			2009/10			2008/09	2007/08	2006/07
	Expenditure	Income	Net Expenditure/ (Income)	Expenditure	Income	Net Expenditure/ (Income)	Net Expenditure/ (Income)	Net Expenditure/ (Income)	Net Expenditure/ (Income)
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Fleet Management & Maintenance	5,799	(5,712)	87	4,650	(5,401)	(751)	(596)	(379)	(430)
Building Cleaning/ Maintenance	1,843	(1,721)	122	1,792	(1,749)	43	153	101	225
Catering	5,751	(5,506)	245	5,502	(5,464)	38	138	(15)	460
Markets	744	(528)	216	675	(570)	105	(42)	(44)	6
Digital Print Services	294	(196)	98	329	(225)	104	162	222	22
Building Control	592	(466)	126	544	(502)	42	177	28	(36)
B-Line (discontinued)								1,047	329
<b>Total</b>	<b>15,023</b>	<b>(14,129)</b>	<b>894</b>	<b>13,492</b>	<b>(13,911)</b>	<b>(419)</b>	<b>(8)</b>	<b>960</b>	<b>576</b>

### 31. Agency Services

The council does not have any Agency services agreements.

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

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

### 33. Pooled Budgets

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

Funding provided to the pooled budget:	Learning Disability	Mental Health	Learning Disability	Mental Health
	2010/11	2010/11	2009/10	2009/10
	£,000	£,000	£,000	£,000
The Authority	4,612	2,545	4,737	2,587
The Trust	2,158	16,517	2,122	14,224
	<b>6,770</b>	<b>19,062</b>	<b>6,859</b>	<b>16,811</b>
<b>Expenditure met from the pooled budget:</b>				
The Authority	6,766	19,150	6,655	16,907
The Trust		0		0
	<b>6,766</b>	<b>19,150</b>	<b>6,655</b>	<b>16,907</b>
<b>Net surplus arising on the pooled budget during the year</b>	<b>4</b>	<b>-88</b>	<b>204</b>	<b>-96</b>

### 34. Members' Allowances

During the year Members' allowances, including Employer's costs totalled £710,615 (2009/10 £713,095) and are as follows:

	2010/11	2009/10
	£,000	£,000
Salaries	0	0
Basic allowance	328	327
Mayor's & Deputy Mayor's Allowance	22	22
Dependents' carers allowance	2	3
Employer costs	0	0
Mileage	43	50
Conferences and Courses	0	0
Travel Costs	1	1
Subsistence	16	17
Special responsibility allowances	290	283
Miscellaneous	9	10
	<b>711</b>	<b>713</b>

## 35. Senior Officer's Remuneration

### Continuing Employees

		Salary, Fees and Allowances	Benefits in Kind	Expenses Allowances	Compensation for Loss of Office	Pension Contribution	Total
		£	£	£	£	£	
Chief Executive	<b>2010/11</b>	<b>129,699</b>	<b>5,140</b>	<b>0</b>	<b>0</b>	<b>28,923</b>	<b>163,762</b>
	2009/10	136,134	4,744	0	0	28,923	169,801
Deputy Chief Executive	<b>2010/11</b>	<b>103,140</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21,977</b>	<b>125,117</b>
	2009/10	114,404	0	0	0	24,053	138,457
Service Director Children, Strategy & Partnerships	<b>2010/11</b>	<b>103,276</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>22,373</b>	<b>125,649</b>
	2009/10	99,270	0	0	0	21,554	120,824
Service Director Adult Social Care	<b>2010/11</b>	<b>85,500</b>	<b>4,059</b>	<b>0</b>	<b>0</b>	<b>19,067</b>	<b>108,626</b>
	2009/10	83,575	5,458	0	0	19,158	108,191
Service Director Neighbourhood & Environment	<b>2010/11</b>	<b>85,464</b>	<b>7,865</b>	<b>0</b>	<b>0</b>	<b>19,945</b>	<b>113,274</b>
	2009/10	82,583	4,630	0	0	18,398	105,611
Service Director Finance	<b>2010/11</b>	<b>84,000</b>	<b>4,927</b>	<b>0</b>	<b>0</b>	<b>18,732</b>	<b>107,659</b>
	2009/10	82,034	4,713	0	0	18,732	105,479
Service Director Human Resources	<b>2010/11</b>	<b>78,000</b>	<b>4,680</b>	<b>0</b>	<b>0</b>	<b>17,394</b>	<b>100,074</b>
	2009/10	82,333	0	0	0	17,060	99,393
Service Director Community, Planning & Resources	<b>2010/11</b>	<b>78,000</b>	<b>9,038</b>	<b>0</b>	<b>0</b>	<b>17,394</b>	<b>104,432</b>
	2009/10	76,500	8,709	0	0	17,060	102,269
Service Director Asset Management & Culture	<b>2010/11</b>	<b>81,000</b>	<b>8,675</b>	<b>0</b>	<b>0</b>	<b>18,063</b>	<b>107,738</b>
	2009/10	76,500	8,344	0	0	17,060	101,904
Head of Strategy Development	<b>2010/11</b>	<b>57,924</b>	<b>3,500</b>	<b>0</b>	<b>0</b>	<b>12,917</b>	<b>74,341</b>
	2009/10	56,576	3,395	0	0	12,616	72,587
Head of Strategic Regeneration, Housing & Development	<b>2010/11</b>	<b>57,924</b>	<b>3,475</b>	<b>0</b>	<b>0</b>	<b>12,917</b>	<b>74,316</b>
	2009/10	60,630	0	0	0	12,616	73,246

## In-year Retirements

		Salary, Fees and Allowances	Benefits in Kind	Expenses Allowances	Compensation for Loss of Office	Pension Contribution	Total
		£	£	£	£	£	
Service Director Transition & Development	<b>2010/11</b>	<b>23,537</b>	<b>0</b>	<b>0</b>	<b>47,763</b>	<b>256,166</b>	<b>327,466</b>
	2009/10	88,947	7,106	0	0	20,696	116,749
Service Director Legal & Democratic	<b>2010/11</b>	<b>80,271</b>	<b>3,886</b>	<b>0</b>	<b>46,503</b>	<b>18,024</b>	<b>148,684</b>
	2009/10	76,320	3,701	0	0	17,690	97,711
Service Director Highways & Planning	<b>2010/11</b>	<b>57,360</b>	<b>5,864</b>	<b>0</b>	<b>39,185</b>	<b>13,865</b>	<b>116,274</b>
	2009/10	73,489	8,123	0	0	17,315	98,927

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

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

## Senior Employees' Remuneration

	Teachers	Senior Officers	Other Staff	Terminated Employment	2010/11 TOTAL	Teachers	Senior Officers	Other Staff	Terminated Employment	2009/10 TOTAL
£50,001 to £55,000	39		35		74	41		27		68
£55,001 to £60,000	34		13	2	49	40	1	11		52
£60,001 to £65,000	29	2	8		39	13	1	15	1	30
£65,001 to £70,000	5		1	1	7	2		1		3
£70,001 to £75,000	4		2	3	9	5		3		8
£75,001 to £80,000	4		1	6	11	3				3
£80,001 to £85,000	4	1		1	6	6	4	1		11
£85,001 to £90,000	2	4	1		7		4			4
£90,001 to £95,000		1		1	2					0
£95,001 to £100,000				1	1		2			2
£100,001 to £105,000		2		1	3	2				2
£105,001 to £110,000	1				1					0
£110,001 to £115,000	1				1		1			1
£115,001 to £120,000					0					0
£120,001 to £125,000					0					0
£125,001 to £130,000					0					0
£130,001 to £135,000		1		1	2					0
£135,001 to £140,000					0		1			1
£140,001 to £145,000					0					0
£145,001 to £150,000					0					0
	<b>123</b>	<b>11</b>	<b>61</b>	<b>17</b>	<b>212</b>	<b>112</b>	<b>14</b>	<b>58</b>	<b>1</b>	<b>185</b>

### 36. External Audit Fees

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

	2010/11	2009/10
	£,000	£,000
External Audit Fees	231	129
Grant Claim Certification Fees	57	55
Other Fees	17	113
	<b>305</b>	<b>297</b>

### 37. Dedicated Schools Grant

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

Details of the deployment of the DSG receivable in 2010/11 are as follows:

	Central Expenditure	Individual Schools Budget	Total
	£,000	£,000	
Final DSG for 2010/11			95,455
Brought forward from 2009/10			89
Carry forward to 2011/12 (agreed in advance)			-338
Sub Total			<b>95,206</b>
Agreed budgeted distribution in 2010/11	13,258	81,948	<b>95,206</b>
Actual central expenditure	10,650		
Actual ISB deployed to schools		83,235	
Local Authority contribution for 2010/11	0	0	<b>0</b>
Carry forward to 2011/12 (agreed in advance)	2,608	-1,287	<b>1,659</b>

## 38. Grant Income

	Note	2010/11 £,000	2009/10 £,000
<b>Credited to Taxation and non Specific Income</b>			
Revenue Support Grant		-7,894	-11,217
Area based Grant		-11,952	-9,316
Capital Grants		-41,108	-38,333
Redistributed NNDR		-54,362	-48,598
<b>Total</b>		<b>-115,316</b>	<b>-107,464</b>
<b>Credited to Services</b>			
Dedicated Schools Grant		-95,544	-92,084
Department for Transport - Pothole Funding		-1,096	0
DCSF - Schools Standards Fund		-13,541	-16,481
DCSF - Surestart Grant		-5,642	-4,587
DWP - Housing Benefits Admin Subsidy		-1,493	-1,537
DWP - Council Tax Benefits Subsidy		-13,322	-12,700
DWP - Rent Allowance Subsidy		-37,988	-34,781
DCLG - Supporting People		-1,418	-3,571
Young People's Learning Agency - 16-18 Funding		-7,537	0
<b>Total</b>		<b>-177,581</b>	<b>-165,741</b>

## 39. Related Party Transactions

### Related Parties

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

### Central Government

Central government has effective control over the general operations of the Authority– it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 28 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in Note 38.

## Members

Members of the council have direct control over the council's financial and operating policies . The total of members' allowances paid in 2010/11 is shown in Note 34. During 2010/11, works and services to the value of £2k were commissioned from companies in which one member had an interest. Contracts were entered into in full compliance with the council's standing orders. In addition, the council paid grants and other payments totalling £489k to voluntary organisations and £156k to Charities in which twelve members had interests. In all instances, the payments were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the payments. One member rented land from the council for £695 per annum. This is a commercial rate for the land.

## Officers

Payments totalling £41k 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 £956k of grants were paid to voluntary organisations in which senior officers had an interest. The officers took no part in the award of the grant funding.

In addition one officer was appointed as the Council's nominee Director of Engage North Lincolnshire. This Company is a Local Education Partnership and is managing the Council's Building Schools for the future project. In year spend with this company was £21.8m.

## Table of Members and Officers Related Organisations Board membership

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

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

## 40. Capital Expenditure and Capital Financing

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

Capital Expenditure and Capital Financing	2010/11	2009/10
	£,000	£,000
Opening Capital Financing Requirement	<b>125,020</b>	<b>119,288</b>
Property, Plant and Equipment	60,915	42,913
Investment Properties	125	337
Other	0	0
Revenue Expenditure Funded from Capital under Statute	1,840	2,941
	<b>62,880</b>	<b>46,191</b>
<b>Sources of finance</b>		
Capital receipts	(2,424)	(2,489)
Government grants and other contributions	(37,379)	(32,225)
<b>Sums set aside from revenue:</b>		
Direct revenue contributions:		
General	(278)	(182)
Finance Lease Principal	(333)	(452)
Minimum Revenue Provision	(5,525)	(5,111)
	<b>(45,939)</b>	<b>(40,459)</b>
Closing Capital Finance Requirement	<b>141,961</b>	<b>125,020</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrowing (supported by government financial assistance)	3,579	3,513
Increase in underlying need to borrowing (unsupported by government financial assistance)	13,362	0
Assets acquired under finance leases:	0	502
Increase/(decrease) in Capital Financing Requirement	<b>16,941</b>	<b>4,015</b>
Assets Acquired under Finance Leases	2010/11	2009/10
	£,000	£,000
Land	0	0
Property	0	0
Vehicles and Equipment	0	502
<b>Total</b>	<b>0</b>	<b>502</b>

## 41. Leases

### Finance Leases

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

2010/11	Vehicles £,000	Equipment £,000	TOTAL
<b>Cost or Valuation</b>			
Opening Balance	2,067	0	<b>2,067</b>
Additions	0	0	<b>0</b>
Disposals	0	0	<b>0</b>
	2,067	0	<b>2,067</b>
<b>Depreciation</b>			
	503	0	<b>503</b>
Disposals	0	0	<b>0</b>
Provided for year	450	0	<b>450</b>
	953	0	<b>953</b>
<b>Net Book Value</b>			
<b>Balance as at 31 March 2011</b>	<b>1,114</b>	<b>0</b>	<b>1,114</b>
<b>Balance as at 31 March 2010</b>	<b>1,564</b>	<b>0</b>	<b>1,564</b>

2009/10	Vehicles £,000	Equipment £,000	TOTAL
<b>Cost or Valuation</b>			
Opening Balance	1,566	0	<b>1,566</b>
Additions	501	0	<b>501</b>
Disposals	0	0	<b>0</b>
	2,067	0	<b>2,067</b>
<b>Depreciation</b>			
	0	0	<b>0</b>
Disposals	0	0	<b>0</b>
Provided for year	503	0	<b>503</b>
	503	0	<b>503</b>
<b>Net Book Value</b>			
<b>Balance as at 31 March 2010</b>	<b>1,564</b>	<b>0</b>	<b>1,564</b>
<b>Balance as at 31 March 2009</b>	<b>1,566</b>	<b>0</b>	<b>1,566</b>

	Within 1 year	1 to 5 years	After 5 years	Total
	£,000	£,000	£,000	£,000
<b>31/03/11</b>				
Finance leases payments	298	605	0	903
Less: finance charges	(42)	(80)	0	(122)
<b>Net present value</b>	<b>256</b>	<b>525</b>	<b>0</b>	<b>781</b>

<b>31/03/10</b>				
Finance leases payments	392	838	65	1,295
Less: finance charges	(59)	(114)	(9)	(182)
<b>Net present value</b>	<b>333</b>	<b>724</b>	<b>56</b>	<b>1,113</b>

<b>01/04/09</b>				
Finance leases payments	449	741	70	1,260
Less: finance charges	(76)	(111)	(9)	(196)
<b>Net present value</b>	<b>373</b>	<b>630</b>	<b>61</b>	<b>1,064</b>

Included in the Balance Sheet as:

	31/03/11	31/03/10	31/03/09
	£,000	£,000	£,000
Current liabilities	256	333	373
Long term liabilities	525	780	691
	781	1,113	1,064

#### Operating Leases (Council as lessee)

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

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

	2010/11		2009/10	
	Land and buildings	Vehicles, plant and equipment	Land and buildings	Vehicles, plant and equipment
	£,000	£,000	£,000	£,000
Minimum lease payments	0	270	0	623
Contingent rentals	0	0	0	0
Less: Sublease payments receivable	0	(22)	0	(22)
	-	-	-	-
	<b>0</b>	<b>248</b>	<b>0</b>	<b>601</b>

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

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

	2010/11		2009/10	
	Land and buildings	Vehicles, plant and equipment	Land and buildings	Vehicles, plant and equipment
	£,000	£,000	£,000	£,000
Minimum lease rentals payable:				
No later than 1 year	0	407	0	545
Later than 1 year and no later than 5 years	0	804	0	1,081
Later than 5 years	0	0	0	65
	-	-	-	-
	<b>0</b>	<b>1,211</b>	<b>0</b>	<b>1,691</b>

## 42. Private Finance Initiatives and Similar Contracts

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

## 43. Impairment Losses

The council has recognised four impairment losses relating to Property, Plant and Equipment. These relate to structural problems with Carlton Street Car Park, damage to Riddings Infants from the heavy snow in winter, arson damage to Sheffield Park Pavilion and a disused toilet block was scheduled for demolition due to its dilapidated condition.

The council had £5,000,000 invested with Heritable Bank (£3.5m) and Landsbanki (£2.0m) when these financial institutions went into administration in 2008. In 2009/10 the council recognised £1.2m of impairment on the outstanding balance. A statutory dispensation allowed this to be transferred to the financial instruments adjustment account. In 2010/11 this amount was replaced by impairment of £0.85m which was recognised in the consolidated income and expenditure statement. The charge was funded by a transfer from an earmarked reserve.

## 44. Capitalisation of borrowing costs

The council has not capitalised any borrowing costs.

## **45. Termination Benefits**

All significant termination benefits are shown in Note 35 Senior Officer's Remuneration.

## **46. Pensions Schemes Accounted for as Defined Contribution Schemes**

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

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

In 2010/11, the council paid £6.7m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2009/10 were £6.7m and 14.1%. There were no contributions remaining payable at the year-end.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 47.

## **47. Defined Benefit Pension Schemes**

### Retirement Benefits

#### Participation in the Local Authority Pension Scheme

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

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

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

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

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

	2010/11	2009/10
	£,000	£,000
<b>Net cost of services:</b>		
Current service cost	17,115	8,983
Past service cost/(gain)	(60,597)	464
Gains and losses on settlements or curtailments	1,026	115
<b>Net operating expenditure:</b>		
Interest cost	33,426	27,186
Expected return on scheme assets	(24,256)	(15,101)
<b>Net charge to the CIES</b>	<b>(33,286)</b>	<b>21,647</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations:</b>		
Reversal of net charges made for retirement benefits in accordance with IAS 19	33,286	(21,647)
<b>Actual amount charged against the general fund balance for pensions in the year:</b>		
Employers' contributions payable to scheme	19,997	19,247
<b>Net charge to the General Fund Summary</b>	<b>53,283</b>	<b>(2,400)</b>

## Assets and liabilities in relation to retirement benefits

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

	2010/11	2009/10
	£,000	£,000
<b>Balance as at 1 April</b>	651,407	387,982
Current service cost	17,115	8,982
Interest cost	33,425	27,186
Contributions by members	4,919	4,889
Actuarial losses/(gains)	(101,166)	234,494
Past service costs/(gains)	(60,597)	464
Losses/(gains) on curtailments	1,026	115
Liabilities assumed in a business combination	0	2,033
Liabilities extinguished on settlements	0	0
Estimated unfunded benefits paid	(1,981)	(1,945)
Estimated benefits paid	(14,676)	(12,793)
<b>Balance as at 31 March</b>	<b>529,472</b>	<b>651,407</b>

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

	2010/11	2009/10
	£,000	£,000
<b>Balance as at 1 April</b>	328,490	226,563
Expected return on assets	24,256	15,101
Contributions by members	4,919	4,889
Contributions by employer	18,015	17,302
Contributions in respect of unfunded benefits	1,981	1,945
Actuarial gains/(losses)	(8,543)	75,395
Liabilities assumed in a business combination	0	2,033
Assets distributed on settlements	0	0
Unfunded benefits paid	(1,981)	(1,945)
Benefits paid	(14,676)	(12,793)
<b>Balance as at 31 March</b>	<b>352,461</b>	<b>328,490</b>

The actual return on scheme assets in the year was a gain of £29,603,000 (2009/10 gain of £90,581,000).

## Fair Value of Plan Assets

	31/03/11	31/03/10	31/03/09
	£,000	£,000	£,000
Equity investments	274,920	266,076	174,453
Bonds	35,246	32,849	27,188
Property	17,623	13,140	11,328
Cash	24,672	16,425	13,594
	<b>352,461</b>	<b>328,490</b>	<b>226,563</b>

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

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

	31/03/11	31/03/10	31/03/09
	£,000	£,000	£,000
Fair Value of Employer Assets	352,461	328,490	226,564
Present value of funded liabilities	(500,436)	(618,724)	(360,652)
Net (Under)/Overfunding in Funded Plans	<b>(147,975)</b>	<b>(290,234)</b>	<b>(134,088)</b>
Present Value of Unfunded Liabilities	(29,036)	(32,683)	(27,330)
Unrecognised Past Service Cost	0	0	0
Amounts not recognised as an asset	0	0	0
Fair value of reimbursement rights recognised as an asset	0	0	0
Other amounts not recognised in the Balance Sheet	0	0	0
<b>Net Asset/(Liability)</b>	<b>(177,011)</b>	<b>(322,917)</b>	<b>(161,418)</b>
<i>Amount in the Balance sheet:</i>			
Liabilities	(177,011)	(322,917)	(161,418)
Assets	0	0	0
<b>Net Asset/(Liability)</b>	<b>(177,011)</b>	<b>(322,917)</b>	<b>(161,418)</b>

## Scheme history

### Analysis of scheme assets and liabilities

	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07
	£,000	£,000	£,000	£	£
Fair Value of Assets in pension scheme	352,461	328,490	226,563	289,347	283,977
Present Value of Defined Benefit Obligation	(529,472)	(651,407)	(387,982)	(395,246)	(426,540)
Surplus/(deficit) in the Scheme	<b>(177,011)</b>	<b>(322,917)</b>	<b>(161,419)</b>	<b>(105,899)</b>	<b>(142,563)</b>

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

	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07
	£,000	£,000	£,000	£,000	£,000
Actuarial gains/(losses)	92,623	(159,099)	(54,242)	34,454	28,146
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	0	0	0	0	0
Actuarial gains/(losses) recognised in Other Comprehensive Income and Expenditure	92,623	(159,099)	(54,242)	34,454	28,146
Cumulative actuarial gains and losses	<b>(103,598)</b>	<b>(196,221)</b>	<b>(37,122)</b>	<b>17,120</b>	<b>(17,334)</b>

#### History of experience gains and losses:

Experience gains and (losses) on assets	(8,543)	75,395	(92,535)	(23,916)	(2,276)
Experience gains and (losses) on liabilities	101,166	(234,494)	38,293	58,370	30,422

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £177m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net worth of £225m.

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

#### Analysis of projected amount to be charged to the CIES for the year to 31 March 2012

	31/03/12 £,000	31/03/12 %
Projected current cost	15,363	20
Interest on obligation	29,155	38
Expected return on assets	(24,840)	(33)
Past service cost	0	0
Gains and losses on settlements or curtailments	0	0
	<b>19,678</b>	<b>26</b>

The total contributions expected to be made to the East Riding Pension Fund by the council in the year to 31 March 2012 is £17,019,600.

#### History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011.

	31/03/11 %	31/03/10 %	31/03/09 %	31/03/08 %	31/03/07 %
Experience (gains and (losses) on Assets	(0.024)	0.230	(0.408)	(0.083)	(0.008)
Experience gains and (losses) on liabilities	(0.191)	0.360	(0.099)	(0.148)	(0.071)

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc. The Council's Fund liabilities have been assessed by an independent firm of actuaries, estimates for the Council Fund being based on data pertaining to the latest full valuation of the scheme as at 31 March 2011.

	2010/11	2009/10
<b>Long-term expected rate of return on assets in the scheme:</b>		
Equity investments	8	8
Bonds	5	5
Property	6	6
Cash	5	5
<b>Mortality assumptions:</b>		
<i>Longevity at 65 current pensioners:</i>		
Men	22.9 years	22.7 years
Women	25.7 years	26.1 years
<i>Longevity at 65 for future pensioners:</i>		
Men	24.9 years	24.8 years
Women	27.7 years	28.3 years
Inflation/Pension Increase Rate	.028	.038
Salary Increase Rate	.051	.053
Expected Return on Assets	.070	.073
Discount Rate	.055	.055
<b>Take-up of option to convert annual pension into retirement lump sum:</b>		
Service to April 2009	.50	.50
Service post April 2009	.750	.750

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

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

	31/03/11	31/03/10	31/03/09
	%	%	%
Equity investments	78.0	81.0	77.0
Bonds	10.0	10.0	12.0
Property	5.0	4.0	5.0
Cash	7.0	5.0	6.0
	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

## 48. Contingent Liabilities

The council has one material uninsured contingent liability relating to its exposure to losses by Municipal Mutual Insurance. This liability could result in payments totalling around £200k.

## 49. Contingent Assets

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

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

## 50. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

### Credit risk

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

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

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £19.2m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is

rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

Regarding previous difficulties in the Icelandic banking system, in late 2008 the council had fixed term deposits totalling £5.5m with Heritable and Landsbanki banks. The deposits were made under standard contractual terms. These terms prevent early withdrawal of funds. These deposits are now frozen; the latest information available suggests 94% of the investments with Landsbanki and 85% of the investments with Heritable should ultimately be recoverable. Recovery of around 56% of the Heritable investment has already been made.

Accounting regulations require where it is probable that a payment under a contract will not be made the related asset must be written down. This writing down is known as impairment. The council's investments with Heritable and Landsbanki have therefore been impaired by £0.85m (£1.2m prior year) to reflect the potential loss of principal and an additional allowance reflecting the fact that recovery of the funds may be phased over a number of years. The government had allowed all the councils with deposits in Icelandic Institutions to delay recognising the resulting impairment charges relating to the principal element in their revenue accounts until 2010/11.

No interest relating to these investments has been recognised in the 2010/11 accounts. This is consistent with the treatment in 2009/10 and is due to interest not being material and the status of interest from Landsbanki is still not clear.

The Authority does not generally allow credit for customers, such that £4.9m of the £8.4m balance is past its due date for payment. These debtors can be analysed by age as follows.

31/03/11	
£,000	
Current	3,528
Less than three months	1,341
Three to six months	937
Six months to one year	572
More than one year	2,037
	<b>8,415</b>

Impairment of £1.6m has been charged against this debt.

### Liquidity Risk

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority may be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The authority sets limits on the proportion of its fixed rate borrowing maturing during specified periods. The strategy is shown below:

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

### Interest rate risk

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

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

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

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

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

If interest rate had been 1% higher during 2010/11 the council would have earned an additional £430k in interest on investments but due to the nature of its variable rate borrowing would not have incurred any additional interest until rates were above approximately 9%. If rates had been 1% lower the council would have earned no investment interest.

### Price risk

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

## 51. Monies held on behalf of others

The Council holds £240k on behalf of other parties. These are usually vulnerable people who are unable to manage their own financial affairs. The breakdown of these monies is shown below:

Name	£000
Local Safeguarding Children Board	-105
Minimum Support Homes Renovation	-83
CICA Holding Account	-43
Cic Council Project	-7
Receiverships	-2
	<hr/>
	-240

## Collection Fund

Collection Fund	Notes	2010/11 £,000	2009/10 £,000
<b>Income</b>			
Council Tax Income	4	(67,204)	(65,439)
<b>Transfers from General Fund:</b>			
Council Tax Benefit	4	(13,190)	(12,505)
Transitional Relief	4	0	0
Discounts for Prompt Payment		0	0
Income collectable from Business Ratepayers	5	(64,744)	(70,048)
<b>Contributions:</b>			
Towards Previous year collection fund deficit		0	0
Adjustment of previous years' community charge		0	0
<b>Total Income</b>		<b>(145,138)</b>	<b>(147,992)</b>
<b>Expenditure</b>			
Precepts	6	79,033	76,569
<b>Business Rates:</b>			
Payment to National Pool	5	64,493	69,799
Cost of Collection		251	249
<b>Impairment of Debts/Appeals:</b>			
Write-offs of uncollectable amounts	4	129	142
Allowance for impairment	4	218	208
Council Tax/Community Charge	4	0	0
<b>Contribution:</b>			
Towards previous year's estimated Collection Fund surplus	4	1,095	593
Adjustment of previous years' community charges		0	0
<b>Total Expenditure</b>		<b>145,219</b>	<b>147,560</b>
<b>Movement on Fund Balance</b>		<b>81</b>	<b>(432)</b>

## Notes to the Collection Fund

### 1. Council Tax

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

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

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

c) The year-end surplus or deficit on the Collection Fund is to be distributed between Billing and Precepting Authorities on the basis of estimates, made in January of each year-end balance. For 2009/10, the amount outstanding in January 2009 in respect of Council Tax when compared with the provision made by the Council for non-payment, was not above the level anticipated and therefore no surplus was declared.

d) Under the old Community Charge Collection Fund any surplus or deficits were retained within the fund, however the revised arrangements in (c) above resulted in any such balances being cleared to the relevant authority. For 2009/10, the amount outstanding in January 2009 in respect of Community Charge when compared with the provision made by the Council for non-payment was not above the level anticipated and therefore no surplus was declared.

### 2. Council Tax Valuation Bands

#### 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

### 3. Council Tax Income

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

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

Band	Calculated number of dwellings	Ratio to Band D	Equated number of dwellings	Council Tax Payable
A	29,904	6/9	19,936	1,037
B	12,908	7/9	10,039	1,210
C	9,770	8/9	8,684	1,382
D	6,646	9/9	6,646	1,555
E	3,199	11/9	3,910	1,901
F	1,269	13/9	1,833	2,246
G	412	15/9	687	2,592
H	12	18/9	24	3,110
			<b>51,759</b>	
		* Adjustment	(941)	
		Council Tax Base	<b>50,818</b>	

\* For anticipated collection rate and Ministry of Defence properties

### 4. Council Tax Required

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

(i) Preceptor's Council Tax Requirements	79,032,226
(ii) Number of Band D equivalent Dwellings	50,818
Band D ( i divided by ii )	1,555

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

	2010/11 £,000	2009/10 £,000
Net Amount	(67,204)	(65,439)
Benefits	(13,190)	(12,505)
Pensioners Discount Contribution	0	0
Use of Provision for Doubtful Debts	347	350
Community Charge Surplus	0	0
Council Tax Surplus	1,095	593
Adj. Re previous years Community Charge	0	0
Balance carried forward	(81)	432
Council Tax Requirement	<b>(79,033)</b>	<b>(76,569)</b>

## 5. National Non-Domestic Rates

Non-Domestic Rates are organised on a national basis. The Government specifies an amount and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. In 2010/11 the amount was 41.4p (48.5p = 2009/10) and 40.7p for small businesses (48.1p = 2009/10).

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

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

The total rateable value @ 31 March 2011 was £162.23m (31 March 2010 = £160.46m).

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

2009/10 £000	National Non-Domestic Rates (NDR / NNDR)	2010/11 £000
79,857	Gross Amount Due	75,236
(2,896)	Charity, etc, Relief	(3,834)
(357)	Transitional Relief	(4,766)
(2,558)	Empty and Part Occupation Relief	(3,925)
(3,841)	Bad Debts, provision and write offs	2,269
(157)	Interest on Overpayments	(235)
<b>70,048</b>	<b>Net Amount Collectable</b>	<b>64,744</b>
(249)	Cost of Collection Allowance Payable to General Fund	(251)
<b>69,799</b>	<b>Amount Payable to NNDR Pool</b>	<b>64,493</b>

## 6. Precepts and Demands

The following amounts were paid from the fund:-

	2010/11 £,000	2009/10 £,000
North Lincolnshire Council	66,613	64,462
Humberside Police Authority	8,460	8,225
Humberside Fire Authority	3,960	3,882
<b>Total</b>	<b>79,033</b>	<b>76,569</b>

# Glossary of Financial Terms

## Financial Abbreviations

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

## Glossary

### **Accounting Policies**

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

Accounting policies do not include estimation techniques.

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

### **Accruals**

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

### **Amortisation**

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

### **Balances**

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

### **Capital Adjustments Account**

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

**Capital Expenditure**

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

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

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

**Capital Receipts**

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

**Collection Fund**

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

**Community Assets**

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

**Consistency**

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

**Balance Sheet (BS)**

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

**Code of Practice (COP)**

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

**Contingent Liabilities**

A contingent liability is either:

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

### **Creditors**

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

### **Current Assets**

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

### **Current Liabilities**

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

### **Curtailments (Pension)**

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

### **De minimis**

An immaterial amount or balance.

### **Debtors**

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

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

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

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

Revenue Expenditure Financed From Capital Under Statute is expenditure that may properly be capitalised, and results in an asset that is not owned by the Council. For example expenditure on items such as improvement grants and the purchase of some assets under the Local Area Agreement.

### **Deferred Credits**

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

### **Deferred Liabilities**

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

### **Depreciation**

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

### **Exceptional Items**

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

### **Extraordinary Items**

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

### **Fees and Charges**

Income arising from the provision of services.

### **International Financial Reporting Standards (IFRSs)**

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

### **Financial Year**

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

### **General Fund**

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

### **Going Concern**

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

### **Government Grants**

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

### **Gross Book Value**

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

### **Impairment**

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

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

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

**Intangible Asset**

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

**Infrastructure Assets**

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

**Investment Properties**

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

**Leasing**

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

**Liquid Resources**

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

**Long Term Borrowing**

Amounts repayable in more than 12 months.

**Long Term Investments**

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

**Minimum Revenue Provision (MRP)**

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

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

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

**Net Book Value (NBV)**

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

**Net Current Replacement Cost**

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

**Net Realisable Value**

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

**Non-Operational Assets**

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

**Operational Assets**

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

**Post Balance Sheet Events**

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

**Precept**

Demands made upon the collection fund by the authorities which it directly funds, i.e. North Lincolnshire Council, Humberside Police and Humberside Fire and Rescue Service for the services they provide. Parish Councils also raise precepts which are paid by North Lincolnshire Council and included within the Precept it levies on the collection fund.

**Property, Plant & Equipment**

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

**Provisions**

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

**Prudence**

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

**Public Works Loan Board (PWLB)**

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

**Reserves**

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

**Revaluation Reserve**

This is an account containing any surpluses arising from the revaluation of fixed assets.

**Revenue Expenditure**

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

**Tangible Fixed Assets**

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

**Revenue Support Grant (RSG)**

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

**Settlement (Pension)**

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

**Short Term Borrowing**

This is borrowing repayable on demand or within 12 months.

**Useful Life**

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

## **Appendix A North Lincolnshire Council Annual Governance Statement**