

North Lincolnshire Council

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North Lincolnshire Council AUDITED Statement of Accounts

FINANCIAL YEAR 2021/2022



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Narrative Statement

These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/2022 (the Code). The purpose of this narrative statement is to explain, in an easy-to-understand way, the financial facts in relation to the council.

This Statement of Accounts explains North Lincolnshire Council's financial performance during the year 2021/2022 and its financial position at the end of that year. It follows approved accounting standards and is necessarily technical in parts.

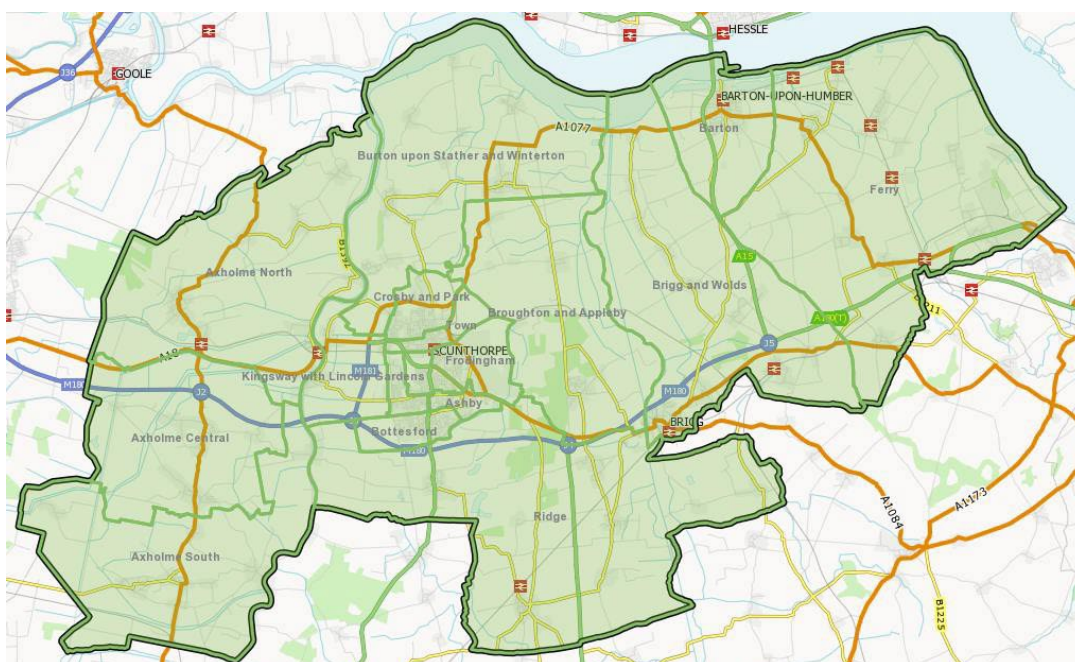
The Narrative Statement is not part of the financial statements but is prepared on the basis that it is consistent with the financial statements. Its purpose is to comment on the financial performance of the council and the economy, efficiency and effectiveness in its use of resources over the financial year.

Overview of the Area and Council

North Lincolnshire Council is a Unitary Authority with the powers of a Non-Metropolitan County and a District Council. This means it is responsible for hundreds of essential local government services. To deliver these services it employs a workforce of around 3,040 people, making it a major local employer.

The council operates a Leader and Cabinet model. There are 43 elected members that represent 17 wards. 2021/2022 was the third year of a third four-year term for the ruling Conservative group. The current council consists of 28 Conservative, 14 Labour and 1 independent councillor.

North Lincolnshire has an estimated population of around 169,700 people and an area of 849 km². It is largely rural, including market towns and settlements of Brigg, Crowle, Epworth, Barton upon Humber, Winterton, Broughton, Kirton in Lindsey, Barnetby Le Wold, Haxey and Messingham. The major sub-regional towns of Scunthorpe and Bottesford are home to almost half of North Lincolnshire residents. It has excellent links with the national road and rail network.



Accounts Timetable

The Government has recognised the issues with preparing accounts during this period and the Department for Levelling Up Housing and Communities, following consultation with key stakeholders, introduced legislation to amend the deadlines for the 2021/2022 accounts. The draft accounts must be approved by the council's Chief Financial Officer by 31st July 2022 and the audit of accounts concluded by 30th November 2022. The dates would otherwise have been 31st May 2022 and 31st July 2022. In addition, the accounts inspection period must now start on, or before, 1st August 2022 rather than incorporating the first ten working days in June.

Vision and Ambition

The role of North Lincolnshire Council is to work with our partners to:

- Lead the place of North Lincolnshire
- Promote prosperity and wellbeing
- Prevent harm
- Protect the most vulnerable.

Priorities and Outcomes

The council's priorities and outcomes are themed under four areas:

Priority 1 - Keeping people safe and well

Keeping people safe and well – to achieve a longer and better quality of life for our residents

Our intention

1. Safeguard and support everyone to live safely and independently within their families and communities
2. Ensure the care sector is of high quality and care leavers receive the on-going support they need
3. Reduce health inequalities and promote wellbeing.

Priority 2 - Enabling resilient and flourishing communities

Enabling resilient and flourishing communities – to develop greater resilience and community spirit and enable people to identify and meet their ambitions.

Our intention

1. Maintain a safe, clean and green local environment
2. Support our volunteers and create stronger communities with access to a range of leisure, culture and other facilities
3. Make it easier and safer to travel sustainably.

Priority 3 - Enabling economic growth and renewal

Enabling economic growth and renewal – to ensure there are highly skilled jobs and opportunities for a highly skilled workforce and the local economy supports efforts to reduce carbon emissions.

Our intention

1. Encourage personal ambition through access to life-long, high quality education, guidance, training and opportunities to upskill and gain experience through volunteering
2. Regenerate town centres and expand the local economy to secure more highly skilled jobs and encourage the business sector to transition to a net-zero carbon position
3. Work with home builders to develop high quality and environmentally sustainable homes.

Priority 4 - Providing value for money for local taxpayers

Providing value for money for local taxpayers – to ensure high quality services are provided for residents and the council is well-led.

Our intention

1. Get it right for our customers, first time
2. Meet our environmental responsibilities
3. Maintain our position as a well-managed and well-governed council and remain financially sustainable.

Outcomes



Strategies

The Council Plan provides a strong frame that guides activity across the council. This is supported and achieved through several key strategies.



Good track record of effective financial management

In every year since its creation in 1996 the council's accounts have been 'unqualified'; with a positive value for money judgement. This position is supported by examples of good practice and financial management across the council, including:

- Consistently well managed demand in children's and adults social care over a long period
- Effective partnership working with the education sector – for example resolving pressures on High Needs Dedicated Schools Grant through clear ownership of the whole system challenge and agreed interventions
- Systems leadership across Health and Care sectors– with, for example, low rates of delayed transfers of care and integrated intermediate care services

Review of financial position

Service budgets are monitored on a regular basis throughout the year, and a council level budget position is collated quarterly focussing on the forecast financial position at year-end and actions required to remedy any issues.

The council has delivered revenue investment of £159.4m against the budget of £162.8m which equates to 2% spend below budget. This has been achieved despite circumstances that remained difficult and was contributed to by all areas of the council through a mixture of pro-active cost management initiatives, appropriate use of specific and non-specific government grants. The council made savings on staff costs where recruitment has been delayed and staff being deployed agilely to manage and deliver our pandemic response. The council also had the flexibility for facilities and staff to be deployed to support our SHIELD programme to make best use of our resources.

Revenue

Management Accountability	Assistant Director	Budget £'000	Actual £'000	Variance £'000
	Adult Social Services	19,716	21,329	1,613
	Integrated Health & Care	2,926	1,731	-1,195
	Adults Early Help & Prevention	21,081	21,979	898
Adults & Health		43,723	45,039	1,316
	Education	4,164	4,270	106
	Children's Help & Protection	10,379	9,480	-899
	Children's Standards & Regulation	10,843	8,806	-2,037
Children & Families		25,386	22,556	-2,830
	Place	25,587	27,824	2,237
	Public Protection	873	632	-241
	Organisational Development	13,639	13,765	126
Economy & Environment		40,099	42,221	2,122
	Governance & Partnerships	4,896	4,809	-87
	Resources & Performance	8,013	6,073	-1,940
	Community Enablement	6,986	7,292	306
Governance & Communities		19,895	18,174	-1,721
	Central & Technical	26,556	24,759	-1,797
	Public Health	7,178	6,619	-559
	Schools	0	0	0
Total Other Services		33,734	31,378	-2,356
Service Total		<u>162,837</u>	<u>159,368</u>	<u>-3,469</u>
Funding		<u>-162,837</u>	<u>-161,558</u>	<u>1,279</u>
Council Position		0	<u>-2,190</u>	<u>-2,190</u>

Capital

The capital programme delivery was subject to some project delays due to the ongoing effects of the pandemic with the spend in-year of £28.7m being 76% of the Capital Investment planned budget of £37.7m. The change of phasing of the programme has meant a reduction in both interest costs and funding costs.

Grants

Covid-19 related grants totalling £32.2m have been applied during the 2021/22 financial year, some intended to fund the Council's additional costs in response to the pandemic as well as income losses suffered through reduced sales, fees & charges. Of these grants £16.4m supported businesses to remain viable, £4.6m supported individuals and £11.2m was used to finance the Council's Covid-19 response.

Reserves

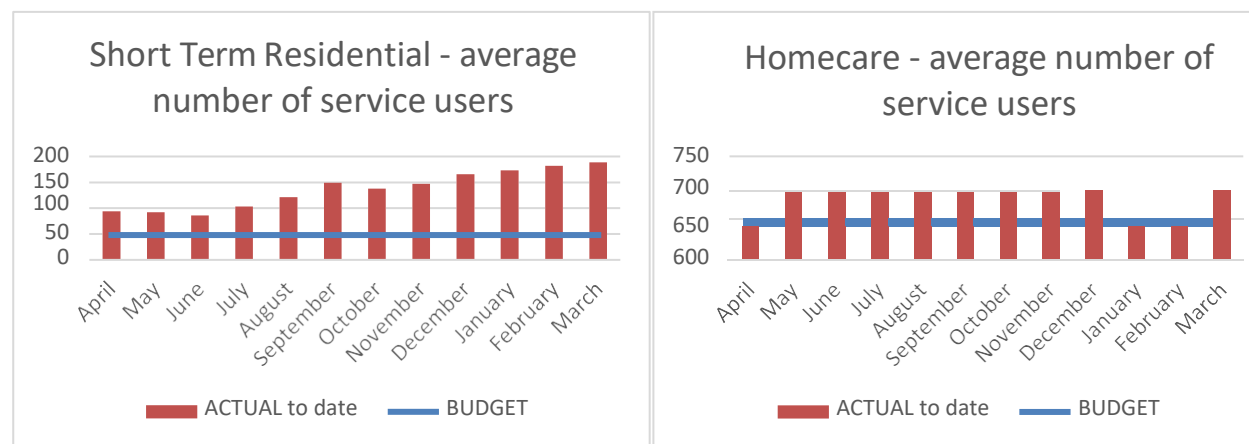
The council utilised £1.1m of reserves in 2021/2022. This is a net figure with the planned use of £9.9m of Covid grant to meet the cost of providing Business Rates Reliefs in 2020/21 being mostly offset by the setting aside of Covid grants and the underspend on Revenue Investment. In addition, there has been an increase in schools' reserves of £2.3m. Note 10 provides more detail on the council's reserves.

The council's unallocated general fund reserve is around 5% of its 2022-23 net revenue expenditure.

Recent Achievements and Performance

Priority: Keeping people safe and well	
What did we do?	
<p>North Lincolnshire Council worked with residents and partners to lead the place of North Lincolnshire to promote wellbeing, prevent harm and prioritise the most vulnerable. We provided a range of services directly, together with partners or through contracts with other organisations to keep children and adults safe and achieve a better quality of life for everyone. We worked with children, young people, adults, families and carers to enable people to live well for longer, in their own homes, families and communities.</p>	
Outcome Theme	Council Contribution
Safer People	<p>The council has invested £0.2m capital in the provision of complex care facilities improving outcomes for disabled people</p> <p>£0.2m capital has been invested in the One Family Hub which provides help and advice on child and family health, parenting, money, training and employment. The Hub also provides early learning activities and support.</p> <p>Whilst the number of children's and young peoples' assessment numbers have increased during 2021/22, the actual numbers of children in care, children in need, unaccompanied asylum-seeking children and placements out of area have decreased. This can be attributed to the success of the One Family Approach and effective partnership working with schools, health, police and the voluntary community sector. Our ambition for children to be in their families, in their schools and in their communities has also led to total spend being lower than the budgeted investment.</p> <p>No child was on a protection plan for two years or more, in line with the best performers across the country and 100% of child protection conferences were held within 15 days which was above the national average of 78%.</p> <p>Additional investment was made in Adults Social Care to manage the continuing effects of the pandemic which resulted in higher demand for provision of both care at home and short-term residential care to support people to live independently in the longer term. We worked in</p>

partnership with local NHS partners to secure and utilise additional specific grant funding to partially mitigate the impact on costs caused by reducing hospital discharge times. Performance data relating to both the effectiveness of rehabilitation and reablement and the outcome of short-term services continues to be positive, both recording an upward trend in outcomes during 2021/22.



We supported 2,092 people with longer term needs to have choice and control over the way they want to live their lives.

100% of Adult Social Care provided by the Council was rated either good or outstanding.

Good health and wellbeing

The prevalence of adult smoking dropped from 17.8% to 11.6% and is now lower than the national average. This demonstrates the effectiveness of our partnership with the Northern Lincolnshire Smoke Free Alliance.

Priority: Enabling resilient and flourishing communities

What did we do?

North Lincolnshire Council promoted communities where people are proud to live, where neighbours look out for each other and people enjoy a strong sense of belonging. We engaged with residents to understand how they view their local areas and worked with communities to take ownership of place and improving the outcomes people achieve. We provided information, advice and guidance that supports residents to participate in activities that matter to them and enables opportunities for people of all ages to take part in activities that contribute to their health and wellbeing.

Outcome Theme	Council Contribution
Cleaner, greener and safer spaces and environments	<p>52.6% of household waste was reused, recycled, and composted and is in the top quartile nationally and the amount of waste land filled was minimal and also places the Council in the top quartile nationally.</p> <p>Over seven million waste and recycling collections were undertaken, with a completion rate of 99.91% which is an improvement on last year.</p> <p>From 71 independent inspections of litter across North Lincolnshire, 97% reported improvements in litter levels and 100% of inspections relating to the incidence of graffiti found reduced levels.</p>

<p>Safe Places, housing and Communities</p>	<p>We helped communities to help themselves through the investment of £0.2m in grants to community groups to invest in their own capital schemes</p> <p>Investment of £1.6m in Green Homes improved the energy efficiency of North Lincolnshire housing and enabled a reduction in the levels of fuel poverty.</p> <p>We have enabled a consistent level of housing growth within North Lincolnshire to derive economic and community benefit in line with the Council and Local Plan</p> <p>Forty two private sector rented properties were made safe from hazards - the financial return on investment to the NHS and society as a whole as a result of this work is estimated to be over £1.6m.</p>
<p>Vibrant Leisure and Culture</p>	<p>Community Hubs, Active Lifestyles and Culture</p> <p>£0.5m capital investment in enhancing Community Hubs, making it easier for residents to access information, advice and support, and take part in activities to improve their health and wellbeing</p> <p>Provided a range of community facilities that enable an active lifestyle, with almost 600 active members per month partaking in swimming sessions and over 5,100 per month using fitness facilities</p> <p>Promoted participation in positive, recreational and community learning opportunities</p> <p>Enabled access to arts, culture and entertainment, celebrating the heritage of North Lincolnshire and promoting North Lincolnshire as a place to visit</p> <p>We have continued to fully support the Imagination Library. During 2021/22 a further 88,000 books were issued to children aged up to five, bringing the total number issued to over 700,000 since the scheme began. Across North Lincolnshire, nine out of every 10 children under five are registered for the programme. The impact of this scheme is evidenced through analysis of Year 1 phonics screening tests, which demonstrate that children registered with the Imagination Library achieve better outcomes than their unregistered peers – a pattern repeated year on year on a child's journey through school.</p> <p>As part of the Council's 'Summer Daze' initiative, over 6,000 free swimming sessions were provided for children aged under 16 during summer 2021. This enabled children across North Lincolnshire to be active and learn important life skills in a safe environment.</p>

Excellent Education	<p>Educational Access & Inclusion</p> <p>We have delivered £2.7m capital investment in a range of improvements to schools enabling learning environments that are well maintained</p> <p>The percentage of two-year-old children benefitting from funded early education in North Lincolnshire was 97% in 2021; above the regional and national average and overall, 98% of children attended early years provision rated good or better</p> <p>90% of children attended good or better schools, a 2% improvement on last year with 94% of children being given their first choice of school; above the national average</p>
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Priority: Enabling economic growth and renewal

What did we do?

North Lincolnshire Council worked with residents and partners to lead the growth of North Lincolnshire to promote prosperity for all. We provided a range of services directly, together with partners or through contracts with other organisations to create new businesses, jobs and opportunities for all. We continue to aim to be a sustainable council, becoming more commercial, enabling innovation to invest back into communities by promoting North Lincolnshire as best place to invest and live, leading to a more resilient tax base. These intentions are based on the principles of promoting excellence and equality of opportunity.

Outcome Theme	Council Contribution
Safe Roads, better roads and rail	<p>We prioritised the improvement of unclassified roads. This has led to the percentage of roads that do not require maintenance rising from 67% to 79%.</p> <p>We invested £6.7m in enhancing roads and carriageways, including major works on the A15 to ensure a well-maintained Highway Network.</p> <p>We filled 1,500 potholes, investing £0.5m in repair and prevention and in addition to our programmed works, handled 2,682 calls in relation to safer roads.</p> <p>Our drivers drove in excess of 33,000 miles and used 5,500 tonnes of salt treating our roads</p>

Accessible Transport	<p>We invested £0.3m in making road travel safer</p> <p>£0.4m has been invested in extending Scunthorpe Ridgeway helping to connect more people to employment, education, leisure and other cycling facilities</p> <p>We invested £0.1m in the Wheels to Work scheme improving young people's mobility, job prospects and enabling them to get to work</p> <p>We supported over 14,000 passenger journeys using the Just Go service</p>
Growing business, more jobs, better paid jobs	<p>We were awarded funding of £10.7m, as part of the Future High Street Fund for Scunthorpe and £20.9m as part of the Towns Fund, driving long term economic growth of which £0.7m was invested on regeneration of Scunthorpe High Street</p> <p>We invested £1.3m in improving access to the internet across the area; average download speed has increased from 71.4 to 96.8Mbps</p> <p>£0.8m has been invested in providing infrastructure to enable the development of the Lincolnshire Lakes</p> <p>Over 250 local small and medium businesses were supported with grants to enable start-up, expansion, IT investment and diversification.</p>
Enhanced skills and employability	<p>We supported skills transformation and the use of the apprenticeship levy</p> <p>93.3% of 16- and 17-year-olds are in education and training, above the national average</p> <p>51.3% of jobs in North Lincs were classed as highly skilled, an increase of 2.2% since 2020</p>

Priority: Running the business well

What did we do?

North Lincolnshire Council is a public body serving the whole of North Lincolnshire responsible for providing hundreds of essential services. As a public accountable body, we must make sure that we run the business well and continue to be able to operate as a going concern. That means spending money wisely and looking after our assets to ensure we can get things done as promised and to ensure that we can

demonstrate this to our residents and regulators. We continually strive to keep our running costs as low as possible and adapt the way we work to remain financially sustainable.

Council Contribution

Elected members and decision making

We facilitated almost 200 statutory council meetings through MS Teams, enabling public access and participation with over 1000+ hits recorded on the Council's website for live streaming

Professional and Technical Advice

We invested £1.4m in modernising council IT systems and enhancing cyber-security
Our finances were given a clean bill of health by our External Auditors and they were also satisfied with our arrangements to secure Value for Money

Maintaining Council Assets

£0.3m was invested in replacing council vehicles with more efficient and modern models

Customer Access, Taxation and Benefits

We maximised collection of income to invest in our priorities for North Lincolnshire, with collection rates at 97.08% of non-domestic rates and 94.6% of council tax collected in year

Financing and Levies

During 2021/22 the Council's cash balances remained healthy due to the continued availability of government grants relating to COVID response and recovery. This, combined with the rephasing of some of the larger capital investment schemes to the later part of the year, meant that new borrowing could be deferred. As a result, the cost of borrowing was temporarily less in 2021/22 than planned. The annual Treasury Management report to the Audit Committee provides further detail on the investment and borrowing strategy and demonstrates effective deployment and probity regarding handling of the Council's cash balances.

Financial Outlook

Medium Term Financial Strategy

The council has made significant progress in maintaining and improving services to local people, risen to the challenge of increasing pressures on locally generated income and ensuring value for money is achieved. It has responded to and effectively managed the response to the Covid-19 pandemic alongside the impact of a range of social, demographic, and legislative challenges which increase demand on the council's resources.

It is paramount that the council takes the right steps to drive a robust and financially sustainable position. Without that, achievement of better outcomes for local people is compromised. For that reason, the council must continue to develop, modernise and change the way it operates.

The financial strategy for achieving a sustainable council is therefore to:

- Grow the tax base. Enabling economic growth and renewal in the local economy and housing market.
- Maximise income by investing wisely in commercial activity and ensuring traded services fully recover costs.
- Take full advantage of opportunities to access external funding sources which will support achieving the council's ambitions.
- Find innovative ways of enablement and delivery, and only invest in things that demonstrate greatest impact to deliver ambitions for best place and best council.
- Ensure financial decision making is based on robust plans that match our ambition and secures value for money.
- Seek opportunities with partners to maximise economies of scale whilst enabling communities to take more responsibility for their local facilities.

The mechanisms for translating this Financial Strategy into action are the annual budget and Medium-Term Financial Plan (MTFP). These are the means for allocating resources to priorities, identifying areas for investment and disinvestment and for directing organisational delivery of statutory duties and council ambitions. To provide appropriate discipline to the MTFP process, the council works to a set of budget principles to guide resource decisions, and these are set out in the table below:

National Context

The Government set out the national spending and taxation position for 2022/23 in the Autumn Budget, with indicative allocations for 2023/24 and 2024/25. The Autumn Budget and Spending Review 2021 set out higher taxation and real-terms increases in public sector investment, against a backdrop of improved economic forecasts which reflect slightly less scarring from Covid-19 and the potential for increased inflation over the medium term.

The national economic context is the most important aspect of the Autumn Budget. The projected performance of the economy directly correlates with the level of public receipts anticipated, and therefore how much the government can spend nationally on its priorities. The Autumn Budget incorporated forecasts from the Office for Budget Responsibility, and set out:

- New fiscal rules for public sector net debt as a percentage of GDP to reduce, alongside no borrowing for day-to-day spending
- A growing economy, with growth of 6% in 2022 followed by annual increases thereafter of 2.1%, 1.3%, 1.6% and 1.7%
- A falling current budget deficit (borrowing to fund spend on day-to-day services), with the long-term intent to only borrow for capital investment
- Public sector net debt as a percentage of GDP expected to fall after 2021/22
- A reduction in the OBR's previous scarring estimate of 3% to 2% - less scarring means a larger economy in the medium term
- An expectation of elevated inflation in 2022 and 2023, reflecting the lagged effect of recent increases in energy and other input prices
- An expectation that the bank base rate will increase to 0.5% in 2022, with bigger increases needed if inflation rates exceed current forecasts

The OBR forecasts enable increased investment in public services, with a growing economy a fundamental prerequisite in normal times.

However, considerable risks with regards to inflation exist. Inflation was expected to peak at 4.4% (CPI, Q2 2022), but had reached 9.4% by June 2022 and is expected to rise further. Data is only available from 1989 and the previous highest rate of inflation in this period was in June 1991 (8.4%).

This has prompted the Bank of England to increase the base rate earlier and faster than expected to 0.5% in February 2022, 0.75% in March 2022, 1% in May 2022 and 1.25% in June 2022. Further increases are possible as it seeks to return inflation towards its 2% target. Persistent high inflation risks increasing the cost of goods and services faster than increases in income, with implications for individuals and organisations.

Conclusion

North Lincolnshire Council remains a high performing and ambitious council. It has a clear set of priorities that are outcomes focussed and continues to transform its services and processes to achieve its ambition. The environment in which the council operates has seen major changes over the past decade and this will continue for the foreseeable future, with the Covid-19 pandemic adding additional uncertainty to an already uncertain future. These changes bring with them their own set of opportunities and risks. The council is adopting a flexible and adaptable approach to maximise the potential from the opportunities and manage the risks. At the same time setting a clear strategic intent to become financially sustainable to ensure the vital services it provides continue. The council's financial performance in 2021/2022 has strengthened financial resilience and provided the foundations for ongoing financial planning and management to smooth the transition to financial sustainability.

Statement of Responsibilities

The Council's Responsibilities

The council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this council, that officer is the Director of Finance & S151 Officer (Interim).
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Director of Finance & S151 Officer (Interim)'s Responsibilities

The Director of Finance & S151 Officer (Interim) is responsible for the preparation of the council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Finance & S151 Officer (Interim) has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code.

The Director of Finance & S151 Officer (Interim) 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 31st March 2022 has been prepared in the form directed by the Code and under the accounting policies set out in note 1.
- b) in my opinion the Statement of Accounts presents fairly the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.

S Fair

Stuart Fair
Director of Finance & S151 Officer (Interim)
Date of certification: 8th January 2024

Audit Committee Approval of Statement of Accounts

In accordance with Regulation 9 (2) of the Accounts and Audit Regulations 2015, I certify that these Accounts were approved by the Audit Committee at the meeting held on 6 October 2023.

K Vickers

Councillor K Vickers
Chair of Audit Committee
Date of Approval: 8th January 2024

Independent auditor's report to the Members of North Lincolnshire Council

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of North Lincolnshire Council ("the [Council]") for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2022 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Code Update.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance and S151 Officer (Interim)'s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance and S151 Officer (Interim) with respect to going concern are described in the relevant sections of this report.

Other information

The Director of Finance and S151 Officer (Interim) is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Director of Finance and S151 Officer (Interim) for the financial statements As explained more fully in the Statement of the Director of Finance and S151 Officer (Interim)'s Responsibilities, the Director of Finance and S151 Officer (Interim) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Code Update, and for being satisfied that they give a true and fair view. The Director of Finance and S151 Officer (Interim) is also responsible for such internal control as the Director of Finance and S151 Officer (Interim) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance and S151 Officer (Interim) is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Code Update and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Director of Finance and S151 Officer (Interim) is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Director of Finance and S151 Officer (Interim)'s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Audit Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.
 - Our audit procedures in relation to fraud included but were not limited to:
- making enquiries of management and the Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Director of Finance and S151 Officer (Interim)'s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in September 2021.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in December 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2022.

We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Responsibilities of the Council

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

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, and to report where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the Members of North Lincolnshire Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack;
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

M Kirkham

Mark Kirkham, Partner

For and on behalf of Mazars LLP

5th Floor

3 Wellington Place Leeds

LS1 4AP

11 January 2024

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards (IFRS), rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with statutory requirements, which may be different from the accounting cost. The taxation position is shown in both the Expenditure Funding Analysis and the Movement in Reserves Statement.

(Re-analysed) 2020/2021			Note Number	2021/2022		
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
70,315	(35,941)	34,374		81,939	(40,264)	41,675
59,189	(30,891)	28,298		64,869	(33,630)	31,239
19,012	(5,775)	13,237		14,094	(6,450)	7,644
64,611	(8,886)	55,725		77,135	(16,043)	61,092
64,341	(46,760)	17,581		64,831	(40,912)	23,919
6,951	(8,489)	(1,538)		7,842	(8,154)	(312)
73,784	(73,558)	226		80,991	(74,052)	6,939
358,203	(210,300)	147,903		391,701	(219,505)	172,196
4,939		4,939	11	5,449		5,449
20,415	(11,890)	8,525	12	20,845	(6,001)	14,844
	(169,625)	(169,625)	13		(157,705)	(157,705)
383,557	(391,815)	(8,258)		417,995	(383,211)	34,784
		6,136	14			(29,641)
		(25)	14			(201)
		135,889	39			(165,115)
		142,000				(194,957)
		133,742				(160,173)

This statement's comparator figures have been restated to adjust for the prior period adjustment explained in Note 41.

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the council, analysed into usable reserves and other unusable reserves. The statement shows how the movements in year of the council's reserves are broken down between gains and losses incurred in accordance with International Financial Reporting Standards (IFRS) and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following these adjustments.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves of the Council
	£000	£000	£000	£000	£000	£000	£000
Balance Sheet as at 31 March 2020	7,158	36,432	2,174	14,749	60,513	115,723	176,236
Movement in reserves during 2020/2021							
Total Comprehensive Income and Expenditure	8,258	0	0	0	8,258	(142,000)	(133,742)
Adjustments from income and expenditure charged under the accounting basis to the funding basis	21,959	0	582	13,163	35,704	(35,704)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	30,217	0	582	13,163	43,962	(177,704)	(133,742)
Transfer to or from Earmarked Reserves	(30,217)	30,217	0	0	0	0	0
Increase/(Decrease) in 2020/2021	0	30,217	582	13,163	43,962	(177,704)	(133,742)
Balance Sheet as at 31 March 2021	7,158	66,649	2,756	27,912	104,475	(61,981)	42,494
Movement in reserves during 2021/2022							
Total Comprehensive Income and Expenditure	(34,784)	0	0	0	(34,784)	194,957	160,173
Adjustments from income and expenditure charged under the accounting basis to the funding basis	33,677	0	271	(2,564)	31,384	(31,384)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(1,107)	0	271	(2,564)	(3,400)	163,573	160,173
Transfer to or from Earmarked Reserves	2,442	(2,442)	0	0	0	0	0
Increase/(Decrease) in 2021/2022	1,335	(2,442)	271	(2,564)	(3,400)	163,573	160,173
Balance Sheet as at 31 March 2022	8,493	64,207	3,027	25,348	101,075	101,592	202,667

This statement's comparator figures have been restated to adjust for the prior period adjustment explained in Note 41.

Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories. The first category of reserve are usable reserves, i.e. those reserves that the council may use to fund service provision, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the council is not able to use to fund service provision. This category of reserve includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to fund service provision 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.

31 st March 2021		Note Number	31 st March 2022
£000			£000
500,132	Property, Plant & Equipment	14	579,097
1,576	Heritage Assets	15	1,621
56,789	Investment Property	16	2,150
904	Intangible Assets	17	1,403
0	Long Term Investments	18	0
339	Long Term Debtors	18/20	23
559,740	Long Term Assets		584,294
1,295	Inventories	40	172
31,653	Short Term Debtors	18/20	34,668
18,619	Cash and Cash Equivalents	21	39,215
6,805	Assets held for sale	22	4,029
58,372	Current Assets		78,084
(12,027)	Short Term Borrowing	18	(8,422)
(36,908)	Short Term Creditors	18/23	(60,613)
(3,237)	Provisions	24	(3,402)
(52,172)	Current Liabilities		(72,437)
(6,516)	Provisions	24	(5,467)
(149,616)	Long Term Borrowing	18	(144,571)
(367,314)	Other Long-Term Liabilities	39	(237,236)
(523,446)	Long Term Liabilities		(387,274)
42,494	Net Assets		202,667
104,475	Usable Reserves	MIRS	101,075
(61,981)	Unusable Reserves	25	101,592
42,494	Total Reserves		202,667

This statement's comparator figures have been restated to adjust for the prior period adjustment explained in Note 41.

Cash Flow Statement

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

2020/2021 £000		Note	2021/2022 £000
8,258	Net surplus or (deficit) on the provision of services		(34,784)
56,993	Adjustment to surplus or deficit on the provision of services for non-cash movements	26	74,989
(30,612)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(15,366)
34,639	Net Cash flows from operating activities		24,839
3,865	Net Cash flows from Investing Activities	27	(6,208)
(50,652)	Net Cash flows from Financing Activities	28	1,965
(12,148)	Net increase or (decrease) in cash and cash equivalents		20,596
30,767	Cash and cash equivalents at the beginning of the reporting period	21	18,619
18,619	Cash and cash equivalents at the end of the reporting period	21	39,215

This statement's comparator figures have been restated to adjust for the prior period adjustment explained in Note 41.

Notes to the Accounts

Note 1 Accounting Policies

i. General Principles

The Statement of Accounts summarises the council's transactions for the 2021/2022 financial year and its position at the year-end of 31 March 2022. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require it to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/2022, supported by International Financial Reporting Standards (IFRS).

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

The Statement of Accounts is produced on a Going Concern basis.

ii. Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet where individual inventory categories are above £100,000.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. In respect of both capital and revenue transactions, the council operates on the normal accruals concept of income and expenditure above the council's de minimis threshold of £10,000. Exceptions to this policy are:
 - Housing Benefit payments
 - Social services Income for home care
 - Travel payments and supply teachers
 - Property Trading account Income for commercial properties

These exceptions still mean a full 12 months of income and expenditure are accounted for in a financial year.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with a low risk of change in value.

Cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the council's cash management.

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

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

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

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

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

v. Charges to Revenue for Non-current Assets

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

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

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

vi. Council Tax and Non-Domestic Rates

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

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the council's General Fund. Therefore, the difference between the income included in the

Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

vii. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid monthly and reflected as expenditure in the relevant service line in the Comprehensive Income and Expenditure Statement.

Termination Benefits

When the council is demonstrably committed to the termination of the employment of an officer or group of officers, or making an offer to encourage voluntary redundancy, these costs are charged on an accruals basis to the respective service line in the Comprehensive Income and Expenditure Statement.

Post-employment Benefits

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

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

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the council.

However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the council. These schemes are therefore accounted for as if they were defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The schools' service line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. Various lines within the Comprehensive Income and Expenditure Statement are charged with the employer's contributions payable to the NHS Pension Scheme in the year.

The Local Government Pension Scheme

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

- The liabilities of the East Riding pension fund attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- The assets of East Riding pension fund attributable to the council are included in the Balance Sheet at their fair value.

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

Service cost comprising:

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

Re-measurements comprising:

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

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

Discretionary Benefits

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

viii. Events After the Reporting Period

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

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

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

ix. Financial Instruments

Financial Liabilities

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

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

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

Financial Assets

The council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

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

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

Expected Credit Loss Model

The council recognises expected credit losses on all its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

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

x. Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or

contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

xi. Heritage Assets

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

Civic Regalia, Museum Collection and Memorials

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

Heritage Assets – General

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

xii. Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase.

Intangible assets are measured initially at cost and then carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or

abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

xiii. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The council has set a de minimis value of £100,000, below which inventories are not held on balance sheet.

xiv. 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 (in the ordinary course of operations).

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use.

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.

xv. Leases

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

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

xvi. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the council's arrangements for accountability and financial performance.

xvii. Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably and providing that the expenditure is above the council's de minimis threshold of £20,000.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance), is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The council does not capitalise borrowing costs incurred while assets are under construction.

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and

Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Highways Infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amount of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost.

Assets are then carried in the Balance Sheet using the following measurement bases:

- assets under construction and community assets (without a determinable finite useful life) – historical cost
- infrastructure, community assets (with a determinable finite useful life) – depreciated historical cost
- all other assets are measured at current value

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is normally charged in the first full year of operational use, except where stated, and calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer. Depreciation is charged on vehicles from the point of initial use.
- infrastructure – straight-line allocation over its technically assessed life.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Disposals and Non-current Assets Held for Sale

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

Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The receipts are transferred to the Capital Receipts Reserve from the General Fund

Balance in the Movement in Reserves Statement. The reserves 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).

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

xviii. Provisions, Contingent Liabilities and Contingent Assets

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the council has an obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

Contingent Liabilities

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

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

Contingent Assets

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

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

xix. Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then

transferred 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 non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the council – these reserves are explained in the relevant policies.

xx. Revenue Expenditure Funded from Capital under Statute

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

xxi. Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the council as if they were the transactions, cash flows and balances of the council.

xxii. VAT

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

xxiii. Fair Value Measurement

The council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as bonds at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of

assets and liabilities for which fair value is measured or disclosed in the council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the council can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

Note 2 Accounting Standards Issued, Not Adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2021/2022 (the Code), the council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

At the Balance Sheet date, there are no relevant new standards, or amendments to existing standards, which have been issued but not adopted.

Note 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The most critical judgement made in the Statement of Accounts is that there remains a high degree of uncertainty about future levels of funding for local government. However, the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the council might be impaired as a result of a need to close facilities and reduce levels of service provision.

During 2021/22 the council undertook a review of its Investment Property portfolio to ensure these assets were correctly classified. The Code definition of an investment property is one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property, and is accounted for as property, plant and equipment.

Most of the assets classified as Investment Properties on 1st April 2021 were Industrial Units built as an enabler to Economic Development. Many were built as part of a programme of regeneration in response to the closure of a major steel making plant. These assets generated an income but they were not solely held to earn rentals or capital appreciation. These benefits were secondary to the economic development benefits from the holding of these assets. Almost all other assets classified as Investment Properties were primarily held for the purpose of supporting council priorities rather than for yield. Only one asset was judged to be held solely for yield.

Following this review the council has transferred all but one of its Investment Properties into the Other Land and Buildings category.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors.

However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the council's Balance Sheet at 31 March 2022, for which there is a significant risk of material adjustment in the forthcoming financial year, are as follows:

Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. It is estimated that the annual depreciation charge for buildings would increase by £0.3m if the average useful life of the council's buildings fell by one year. Other Land and buildings and Investment properties have a net book value of £428m. A 1% difference in the valuations would be £4.2m.
Pensions Liability Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the council with expert advice about the assumptions to be applied. Only figures based on estimates have been provided by the actuary so far. Figures based on actual outturns are expected at some point and will be updated accordingly on receipt.	The assumptions interact in complex ways. During 2021/2022 the council's actuary advised that the net pension liability had decreased by £130.0m as a result of updating the assumptions and actual contributions made. A sensitivity analysis can be seen in the Defined Benefit Pension Schemes note 39.
Impairment At 31 March 2022, the council had a balance of sundry debtors of £10.6m. A review of significant balances suggested that an impairment of doubtful debts of £2.5m was appropriate. However, it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1.9m to be set aside as an allowance.
National Non-Domestic Rates (NNDR) Provision The council set aside, from its collection fund, £15.2m as a provision against the cost of the future settlement of current appeals outstanding against NNDR rateable values. The council's share of this provision of £7.5m is shown in the Provisions Note.	The impact of appeals is highly uncertain and outside of the control of the council.
Fair Value Measurement When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the council's assets and liabilities. Where Level 1 inputs are not available, the council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the council's chief valuation officer and external valuer). Information about the valuation techniques and inputs used in determining the fair value of the council's assets and liabilities is disclosed in notes 14 and 18 below.	The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels, occupancy levels and others. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurements.

Note 5 Material Items of Income and Expense

For this council, a material item of income and expense would be around £5m or more. There have been no material items of income or expenditure during 2021/2022 that are not already disclosed elsewhere within the accounts.

Note 6 Events after the Balance Sheet Date

Following the balance sheet date there has been a triennial valuation for the East Riding Pension Fund, as at 31 March 2022, which provided a materially different value for the defined benefit liability included in the 2021/2022 financial statements. An updated actuarial report has been obtained and the financial statements have been amended accordingly. The impact of the adjustment is £29,865,000. Further information can be found in Note 39.

Note 7 Expenditure and Funding Analysis and Associated Notes

The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by councils in accordance with International Financial Reporting Standards (IFRS). It also shows how this expenditure is allocated for decision making purposes between the service areas across the council. Income and expenditure accounted for under International Financial Reporting Standards (IFRS) is presented more fully in the Comprehensive Income and Expenditure Statement.

(Re-analysed) 2020/2021				2021/2022		
Net Expenditure Chargeable to the General Fund Balances £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000		Net Expenditure Chargeable to the General Fund Balances £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000
40,358	(5,984)	34,374	Adults and Health	45,038	(3,363)	41,675
21,337	6,961	28,298	Children and Families	22,555	8,684	31,239
22,525	(9,288)	13,237	Central and Technical	25,613	(17,969)	7,644
38,133	17,592	55,725	Economy and Environment	42,221	18,871	61,092
15,329	2,252	17,581	Governance and Communities	18,174	5,745	23,919
6,660	(8,198)	(1,538)	Public Health	6,619	(6,931)	(312)
0	226	226	Schools	0	6,939	6,939
144,342	3,561	147,903	Net Cost of Services	160,220	11,976	172,196
(144,342)	(11,819)	(156,161)	Other Income and Expenditure	(161,555)	24,143	(137,412)
0	(8,258)	(8,258)	(Surplus) or Deficit	(1,335)	36,119	34,784
7,158			Opening General Fund Balance	7,158		
0			Surplus or (Deficit) on General Fund Balance in Year	1,335		
7,158			Closing General Fund Balance	8,493		

This note's comparator figures have been restated to adjust for the prior period adjustment explained in Note 41.

Adjustments from general fund to arrive at the Comprehensive Income and Expenditure Statement amounts:

2021/2022	Adjustments for Capital purposes £000	Net change for the Pensions Adjustments £000	Other Statutory Adjustments £000	Other Non-Statutory Adjustments £000	Total Adjustments £000
Adults and Health	166	3,846	(78)	(7,297)	(3,363)
Children and Families	6,492	4,911	(2,454)	(265)	8,684
Central and Technical	(1,291)	(4,666)	(4,226)	(7,786)	(17,969)
Economy and Environment	11,646	8,079	882	(1,736)	18,871
Governance and Communities	2,696	4,648	(295)	(1,304)	5,745
Public Health	0	241	172	(7,344)	(6,931)
Schools	(86)	7,340	(315)	0	6,939
Net Cost of Services	19,623	24,399	(6,314)	(25,732)	11,976
Other income and expenditure from the EFA	(10,813)	7,613	1,611	25,732	24,143
Difference between General Fund (surplus) or deficit and CIES (surplus) or deficit on the Provision of Services	8,810	32,012	(4,703)	0	36,119

(Re-analysed) 2020/2021	Adjustments for Capital purposes £000	Net change for the Pensions Adjustments £000	Other Statutory Adjustments £000	Other Non-Statutory Adjustments £000	Total Adjustments £000
Adults and Health	182	1,671	(457)	(7,380)	(5,984)
Children and Families	6,455	2,330	(1,563)	(261)	6,961
Central and Technical	(745)	(4,833)	(5,018)	1,308	(9,288)
Economy and Environment	16,076	3,750	(1,810)	(424)	17,592
Governance and Communities	3,025	2,214	(1,625)	(1,362)	2,252
Public Health	0	112	(1,206)	(7,104)	(8,198)
Schools	(22)	3,517	(3,269)	0	226
Net Cost of Services	24,971	8,761	(14,948)	(15,223)	3,561
Other income and expenditure from the EFA	(30,741)	5,270	(1,571)	15,223	(11,819)
Difference between General Fund (surplus) or deficit and CIES (surplus) or deficit on the Provision of Services	(5,770)	14,031	(16,519)	0	(8,258)

This note's comparator figures have been restated to adjust for the prior period adjustment explained in Note 41.

Adjustments for Capital Purposes – include the charge to services for depreciation, impairment and revaluation gains and losses.

Net change for the Pensions Adjustments – includes the removal of the employer pension contributions made by the council as allowed by statute and the replacement with current service costs and past service costs, alongside the net interest on the defined benefit liability charged within other income and expenditure.

Other Statutory Adjustments – between amounts charged/credited to the CIES and amounts payable/receivable to be recognised under statute – accumulated absences charges as required by IAS19 to services and adjustments involving the amount by which council tax and NDR income credited to the Comprehensive Income and Expenditure Statement is different from the amount calculated in accordance with statutory requirements.

Other Non-Statutory Adjustments – represents amounts charged/credited to service segments which need to be adjusted against the 'Other income and expenditure from the Expenditure and Funding Analysis' line to comply with the presentational requirements in the Comprehensive Income and Expenditure Statement – e.g. interest income and expenditure, changes in the fair values of investment properties, trading operations and non-ring-fenced government grants.

Segmental Income

The following analysis shows revenues from external customers included within the Net Expenditure chargeable to the General Fund in the Expenditure and Funding Analysis:

	2021/2022 Revenue from External Customers £000	(Re-analysed) 2020/2021 Revenue from External Customers £000
Adults and Health	(16,090)	(13,899)
Children and Families	(975)	(1,103)
Central and Technical	(120)	(266)
Economy and Environment	(16,052)	(13,266)
Governance and Communities	(6,243)	(3,535)
Public Health	(243)	(218)
Schools	(1,606)	(981)
Total income analysed on a segmental basis	(41,329)	(33,268)

Revenue from External Customers – Income from organisations/individuals from outside the council, excluding any grant income.

Note 8 Expenditure and Income Analysed by Nature

The council's expenditure and income is analysed as follows:

	2021/2022 £000	2020/2021 £000
Expenditure/Income		
Expenditure		
Employee benefits expenses	194,159	170,132
Other services expenses	185,972	177,478
Depreciation, amortisation, impairment	20,339	21,410
Interest payments	5,918	6,183
Precepts and levies	3,133	3,021
(Gain)/Loss on the disposal of assets	2,316	1,918
Other Expenditure (REFCUS)	6,158	3,415
Total expenditure	417,995	383,557
Income		
Fees, charges and other service income	(47,486)	(38,155)
Interest and investment income	(16)	(13)
Income from council tax, non-domestic rates income	(118,771)	(108,838)
Government grants and contributions	(216,928)	(242,976)
Other Income	(10)	(1,833)
Total income	(383,211)	(391,815)
Surplus or Deficit on the Provision of Services	34,784	(8,258)

This note's comparator figures have been restated to adjust for the prior period adjustment explained in Note 41.

Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations

2021/2022	General	Usable Reserves		Movement
	Fund	Receipts	Grants	in
	Balance	Reserve	Unapplied	Unusable
	£000	£000	£000	Reserves
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.				
Pension cost (transferred to (or from) the Pensions Reserve)	35,039			(35,039)
Pension Prepayment	(3,027)			3,027
Council tax and NDR (transfers to or from the Collection Fund)	(7,431)			7,431
Holiday pay (transferred to the Accumulated Absences reserve)	(34)			34
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	28,952			(28,952)
Total Adjustments to Revenue Resources	53,499	0	0	(53,499)
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(2,023)	2,023		
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	76	(76)		
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	(450)			450
Statutory Provision for the repayment of debt (Minimum Revenue Provision transfer to the Capital Adjustment Account)	(6,538)			6,538
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(250)			250
Total Adjustments to Revenue Resources	(9,185)	1,947	0	7,238
Use of the Capital Receipts Reserve to finance capital expenditure		(1,676)		1,676
Application of capital grants to finance capital expenditure	(10,637)		(2,564)	13,201
Cash payments in relation to deferred capital receipts				0
Total Adjustments to Capital Resources	(10,637)	(1,676)	(2,564)	14,877
Total Adjustments	33,677	271	(2,564)	(31,384)

2020/2021	General	Usable Reserves		Movement
	Fund	Receipts	Grants	in
	Balance	Reserve	Unapplied	Unusable
	£000	£000	£000	Reserves
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.				
Pension cost (transferred to (or from) the Pensions Reserve)	17,057			(17,057)
Pension Prepayment	(3,027)			3,027
Council tax and NDR (transfers to or from the Collection Fund)	13,136			(13,136)
Holiday pay (transferred to the Accumulated Absences reserve)	560			(560)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	23,602			(23,602)
Total Adjustments to Revenue Resources	51,328	0	0	(51,328)
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(877)	877		
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	9	(9)		
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	(160)			160
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(8,090)			8,090
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(154)			154
Total Adjustments to Revenue Resources	(9,272)	868	0	8,404
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		(286)		286
Application of capital grants to finance capital expenditure	(20,097)		13,163	6,934
Cash payments in relation to deferred capital receipts		0		0
Total Adjustments to Capital Resources	(20,097)	(286)	13,163	7,220
Total Adjustments	21,959	582	13,163	(35,704)

This note's comparator figures have been restated to adjust for the prior period adjustment explained in Note 41.

Note 10 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 2021/2022.

	2020/2021			2021/2022			Balance as at 31 March 2022 £000
	Balance as at 1 April 2020 £000	Transfers In £000	Transfers Out £000	Balance as at 31 March 2021 £000	Transfers In £000	Transfers Out £000	
General Fund:							
Risk and Transformation Reserve	15,959	8,817	(445)	24,331	6,750	0	31,081
Revenue Grants	12,797	5,313	(3,109)	15,001	6,145	(7,473)	13,673
Schools Delegated Reserve	3,196	3,022	0	6,218	725	(86)	6,857
Dedicated Schools Grant	2,069	2,042	(251)	3,860	2,255	(550)	5,565
NNDR Smoothing Reserve	0	12,460	0	12,460	0	(9,898)	2,562
Public Health	1,212	540	0	1,752	677	(93)	2,336
Dedicated Schools Grant-De-delegated	285	106	0	391	58	0	449
Licensing	164	134	(24)	274	33	(18)	289
Safety Camera Partnership	255	0	0	255	0	0	255
Care Leavers	0	240	(22)	218	14	0	232
Adult Social Care - Staffing	0	430	0	430	0	(218)	212
Finance Systems Implementation	0	200	0	200	0	0	200
Scunthorpe Special Expenses	212	89	(95)	206	67	(141)	132
Freeport	0	0	0	0	75	0	75
Cultural Offer Transformation	0	53	0	53	0	0	53
ICT SharePoint	0	50	0	50	0	0	50
Org Development – Additional Training	0	65	0	65	0	(18)	47
Planning Improvements	59	0	(13)	46	30	(30)	46
Commuted Sums	201	(65)	(42)	94	0	(61)	33
Crematorium Enhancement Fund	23	7	0	30	0	0	30
Queen's Jubilee	0	0	0	0	20	0	20
Highways – Developer Contributions	0	65	(47)	18	0	(8)	10
Personal Protective Equipment	0	697	0	697	0	(697)	0
Total Earmarked Reserves	36,432	34,265	(4,048)	66,649	16,849	(19,291)	64,207

Risk and Transformation Reserve

This reserve is held for two main purposes: -

- To give the council sufficient resilience to withstand funding or expenditure shocks. These include risks associated with funding, increased demand, delayed savings and the costs of self-insurance.
- To facilitate transformation and transition to a lower cost council

Revenue Grants

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

Dedicated Schools Grant

This reserve has been set aside to hold the balance of the ring-fenced Dedicated Schools Grant, but not yet spent.

NNDR Smoothing Reserve

A specific reserve to alleviate future pressures as a result of Collection Fund deficits being transferred into General Fund.

Public Health Grant

This reserve has been set aside to hold the balance of the ring-fenced Public Health Grant received, but not yet spent.

Note 11 Other Operating Expenditure

	2021/2022 £000	2020/2021 £000
Parish council precepts	1,686	1,614
Levies	1,447	1,407
(Gains)/losses on the disposal of non-current assets	2,316	1,918
Total	5,449	4,939

Note 12 Financing and Investment Income and Expenditure

	2021/2022 Net £000	2020/2021 Net £000
Interest payable and similar charges	5,918	6,183
Net interest on the net defined benefit liability (asset)	7,614	5,271
Interest receivable and similar income	(16)	(13)
Income and expenditure in relation to investment properties and changes in their fair value	(159)	(3,076)
Other investment income	1,487	160
Total	14,844	8,525

Note 13 Taxation and Non-specific Grant Income and Expenditure

	2021/2022 £000	2020/2021 £000
Council Tax Income	(81,199)	(77,631)
Non-Domestic Rates Income and Expenditure	(37,572)	(31,207)
Capital Grants, Contributions and Donations	(12,969)	(29,583)
Non-ring-fenced Government Grants:		
Business Rates Relief Grant	(7,829)	(9,984)
Revenue Support Grant	(6,232)	(6,198)
Social Care Grant	(5,559)	(4,515)
COVID-19 Emergency Grant	(4,544)	0
COVID-19 Local Council Tax Support	(1,163)	0
Lower Tier Services Grant	(252)	0
Rural Services Grant	(216)	(206)
New Homes Bonus	(206)	(414)
Other Non-ring-fenced Government Grants	(23)	(23)
COVID-19 Response Grant	0	(8,347)
COVID-19 Hardship Fund Grant	0	(1,170)
Tax Income Guarantee Compensation – Council Tax	59	(347)
Total	(157,705)	(169,625)

Note 14 Property, Plant and Equipment

Current Year

	Property, Plant & Equipment (PP&E)					
	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	PP&E Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation						
Balance as at 1 April 2021	368,854	17,867	11,672	14,300	3,282	415,975
Additions	3,887	1,320	51	1,031	157	6,446
Donations	0	0	0	0	0	0
Revaluation increases/(decreases) to Revaluation Reserve	15,867	0	0	0	(3,668)	12,199
Revaluation increases/(decreases) to Surplus or Deficit on the Provision of Services	(3,312)	0	0	0	(4,973)	(8,285)
De-recognition - Disposals	(3,825)	0	(51)	0	0	(3,876)
De-recognition - Other	0	(2,091)	(787)	0	0	(2,878)
Reclassifications & Transfers	46,838	0	0	682	7,018	54,538
Reclassified to/from Held for Sale	450	0	0	0	1,302	1,752
Other movements	0	0	0	0	0	0
Balance as at 31 March 2022	428,759	17,096	10,885	16,013	3,118	475,871
Depreciation and Impairment						
Balance as at 1 April 2021	(12,742)	(11,006)	(2,154)	(1)	(281)	(26,184)
Depreciation Charge	(9,758)	(1,424)	(160)	0	(273)	(11,615)
Depreciation written out on Revaluation Reserve	17,030	0	0	0	412	17,442
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	1,982	0	0	0	545	2,527
Impairment losses/reversals to Revaluation Reserve	194	0	0	0	7	201
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	680	0	0	(63)	8	625
De-recognition - Disposals	508	0	0	0	0	508
De-recognition - Other	0	2,091	787	0	0	2,878
Reclassifications & Transfers	463	0	0	(45)	(418)	0
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0
Balance as at 31 March 2022	(1,643)	(10,339)	(1,527)	(109)	0	(13,618)
Net Book Value						
Balance as at 31 March 2022	427,116	6,757	9,358	15,904	3,118	462,253
Balance as at 31 March 2021	356,112	6,861	9,518	14,299	3,001	389,791

Comparator Year

	Property, Plant & Equipment (PP&E)					
	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	PP&E Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation						
Balance as at 1 April 2020	385,227	16,648	11,666	14,219	4,439	432,199
Additions	6,158	1,220	31	88	7	7,504
Donations	0	0	0	0	0	0
Revaluation increases/(decreases) to Revaluation Reserve	(11,098)	0	0	0	(506)	(11,604)
Revaluation increases/(decreases) to Surplus or Deficit on the Provision of Services	(9,154)	0	0	0	(211)	(9,365)
De-recognition - Disposals	(2,256)	(1)	0	0	0	(2,257)
De-recognition - Other	(219)	0	(25)	(7)	0	(251)
Reclassifications & Transfers	906	0	0	0	(635)	271
Reclassified to/from Held for Sale	(710)	0	0	0	188	(522)
Other movements	0	0	0	0	0	0
Balance as at 31 March 2021	368,854	17,867	11,672	14,300	3,282	415,975
Depreciation and Impairment						
Balance as at 1 April 2020	(13,915)	(9,259)	(1,988)	(8)	(293)	(25,463)
Depreciation Charge	(9,758)	(1,748)	(160)	0	(273)	(11,939)
Depreciation written out on Revaluation Reserve	5,184	0	0	0	284	5,468
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	5,622	0	0	0	0	5,622
Impairment losses/reversals to Revaluation Reserve	25	0	0	0	0	25
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	35	0	(31)	0	1	5
De-recognition - Disposals	49	1	0	0	0	50
De-recognition - Other	16	0	25	7	0	48
Reclassifications & Transfers	0	0	0	0	0	0
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0
Balance as at 31 March 2021	(12,742)	(11,006)	(2,154)	(1)	(281)	(26,184)
Net Book Value						
Balance as at 31 March 2021	356,112	6,861	9,518	14,299	3,001	389,791
Balance as at 31 March 2020	371,312	7,389	9,678	14,211	4,146	406,736

Infrastructure Assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture, traffic management systems and land which together form a single integrated network.

Movements on balances

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

	2021/2022 £000	2020/2021 £000
Net Book Value (modified historical cost) at 1 April	110,341	103,442
Additions	15,217	15,794
Derecognition	0	0
Depreciation	(8,714)	(8,909)
Transfers	0	14
Net Book Value at 31 March	116,844	110,341

The authority has determined, in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (Amendment) Regulations 2022 that the carrying

amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Table reconciling Infrastructure and other property, plant and equipment back to the face of the balance sheet.

	2021/2022 £000	2020/2021 £000
Infrastructure Assets	116,844	110,341
Other Property, Plant and Equipment	460,789	389,791
Total Property, Plant and Equipment	577,633	500,132

A breakdown of the Infrastructure Assets into categories is below:

	Net Book Value £000
Carriageways	80,460
Footpaths and cycle tracks	8,291
Structures	17,471
Street Lighting	10,305
Street Furniture	141
Traffic Management	176
Total Infrastructure Asset	116,844

Depreciation

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

- Other Land and Buildings – 1–99 years
- Vehicles, Plant, Furniture & Equipment – 1-30 years
- Infrastructure – straight-line allocation over their useful life:
 - Carriageways – 10 – 50 years
 - Footways and cycle tracks – 11 – 50 years
 - Structures – 20 – 50 years
 - Street Lighting – 20 – 32 years
 - Street Furniture – 20 years
 - Traffic Management Systems – 20 – 33 years

Capital Commitments

At 31 March 2022, the council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in future years. Of these contracts, those considered to be major contracts are those having outstanding commitments in excess of £1m. As at 31 March 2022, the following contracts met this criterion:

- Frodingham Infants School re-organisation - £2.3m
- Urban Park - £1.2m
- North Lincolnshire new special school - £1.0m

Effects of Changes in Estimates

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

Revaluations

The council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the current values of property, plant and equipment are:

- that good title can be shown, and all valid planning permissions and statutory approvals are in place.
- that all easements, rights of way, restrictions and other encumbrances have been considered.
- that the properties are in good repair unless otherwise stated.
- that any services are in good working order or free from defect unless otherwise stated.
- that no deleterious or hazardous materials have been used in the construction nor any existing or potential environmental factors are known that could affect the values.

The table below shows the property, plant and equipment held on the asset register valued at historical cost or at the current value of the asset at the time of valuation (5-year rolling programme).

	Land and Buildings	Vehicles, Plant & Equipment	Surplus Assets	Other PPE	Total PPE
Carried at historical cost	0	6,757	0	142,106	148,863
Valued at current value as at:					
31/03/2022	405,656	0	3,118	0	408,774
31/03/2021	17,102	0	0	0	17,102
31/03/2020	796	0	0	0	796
31/03/2019	1,826	0	0	0	1,826
31/03/2018	272	0	0	0	272
Total Cost or Valuation	425,652	6,757	3,118	142,106	577,633

Fair Value Measurement for Surplus Assets and Investment Properties

See Note 1 (xxiii) for an explanation of fair value and the fair value levels.

Fair Value Hierarchy

Details of the council's surplus assets and investment properties as at 31 March 2022 are as follows:

Recurring fair value measurements using:	2021/2022				2020/2021			
	Quoted Prices (Level 1)	Inputs other than quoted prices (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value £000	Quoted Prices (Level 1)	Inputs other than quoted prices (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value £000
Surplus Assets:								
All Surplus Assets	0	0	3,118	3,118	0	0	3,001	3,001
Total Surplus Assets	0	0	3,118	3,118	0	0	3,001	3,001
Investment Properties:								
Office Units	0	0	0	0	0	940	217	1,157
Commercial Units	0	2,150	0	2,150	0	23,730	30,705	54,435
Agricultural Units	0	0	0	0	500	0	697	1,197
Total Investment Properties	0	2,150	0	2,150	500	24,670	31,619	56,789

Determined value level, valuation process and techniques

All valuations have been undertaken using the combined resource of internal and external valuers, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The council's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

The inputs for each valuation have been categorised against the fair value hierarchy of evidence in accordance with IFRS 13 and rated as Level 1, 2 or 3.

Level 2 inputs are inputs that are observable for the asset, either directly or indirectly. The inputs used took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.

Where the inputs in a valuation are classed as unobservable this is primarily due to the lack of evidence in the principal or most advantageous market or the number and type of adjustments made, for example adjustments for location, size, repair of a comparable. Each valuation has been assessed based on the inputs and the hierarchy level is reported on the Schedule of Valuations.

The Industrial and commercial units located in the local authority area are valued on an income approach that is based on capitalisation of current rental income and taking into account existing lease terms, any increases at the next review and other lease terms. Rentals and yields are derived from market evidence for similar properties in the local authority area adjusted to reflect each asset. The rental comparables are measured from a mixture of deals on council assets and third-party assets. The yields are derived from third party sales and discussions with other agents and the District Valuer. The District Valuer market report suggests that the industrial market remains healthy with older stock being sold due to lack of available modern units. The number of sales in year is consistent with previous years. Rental evidence remains limited and shows similar levels to the previous years. There is little direct evidence to support the yields used in the valuations.

The council's PPE assets have been valued to Current Value (Existing Use Value). The valuations are based on an analysis of market comparables in the area for similar properties disregarding any potential alternative uses in accordance with the EUV definition.

The agricultural valuations are based on market comparable rents and yields for similar properties in the local authority area, taking into account existing lease terms, any increases at the next review and other lease terms. Rentals and yields are derived from market evidence for similar properties in the local authority area adjusted to reflect each asset. The rental comparables are a mixture of deals on council assets and third-party assets. The yields are derived from third party sales and discussions with other agents and the District Valuer.

The council's investment property is measured annually at each reporting date on the basis of Fair Value – highest and best use.

The council's Surplus Assets are reviewed and revalued (if necessary) annually on the basis of Fair Value – highest and best use.

The council's investment and surplus assets are valued in accordance with the IFRS13 definition of Fair Value – *'The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.'*

The council's Assets Held for Sale are reviewed and revalued annually to the lower of fair value or market value less costs to sell.

Reconciliation of Fair Value Measurements

	2021/2022				2020/2021			
	Level 3 Surplus Assets £000	Level 1 Investment Properties £000	Level 2 Investment Properties £000	Level 3 Investment Properties £000	Level 3 Surplus Assets £000	Level 1 Investment Properties £000	Level 2 Investment Properties £000	Level 3 Investment Properties £000
Opening Balance	3,001	500	24,670	31,619	4,146	0	56,326	1,924
Reclassifications out at Level 1	0	(500)	0	0	0	0	0	0
Reclassifications out at Level 2	0	0	(22,420)	0	0	0	0	0
Reclassifications in at Level 3	8,320	0	0	0	188	0	0	189
Reclassifications out of at Level 3	(418)	0	0	(31,619)	(635)	0	0	(470)
Transfers into Level 1	0	0	0	0	0	350	0	0
Transfers into Level 3	0	0	0	0	0	0	0	31,454
Transfers out of Level 2	0	0	0	0	0	0	(31,454)	0
Transfers out of Level 3	0	0	0	0	0	0	0	(350)
Total gains [or losses] for the period included in the Surplus or Deficit on the Provision of Services resulting from changes in fair value	(4,693)	0	(100)	0	(483)	150	(203)	(393)
Total to Revaluation Reserve	(3,249)	0	0	0	(222)	0	0	0
Additions	157	0	0	0	7	0	1	681
Disposals	0	0	0	0	0	0	0	(1,416)
Closing Balance	3,118	0	2,150	0	3,001	500	24,670	31,619

Gains arising from changes in the fair value of surplus assets are recognised in the revaluation reserve, unless they reverse a previous impairment charged to the Surplus or Deficit on the Provision of Services. Losses arising from changes in the fair value of the surplus assets reduce any revaluation reserve balance relating to that asset and, thereafter, are recognised in Surplus or Deficit on the Provision of Services.

Gains or losses arising from changes in the fair value of the investment property are recognised in Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

Quantitative Information about Fair Value

Subcategory at Fair Value Level 3	2021/2022 £000	Valuation technique used to measure fair value	Unobservable inputs	Sensitivity
Surplus Assets:				
Land	3,118	market comparison/ residual	sale levels finance / construction costs build period	significant changes in sale levels, finance and construction costs will result in a significantly lower or higher fair value

Note 15 Heritage Assets

	2021/2022				2020/2021			
	Civic Regalia £000	Normanby Park and Hall £000	Other Heritage Assets £000	Total Assets £000	Civic Regalia £000	Normanby Park and Hall £000	Other Heritage Assets £000	Total Assets £000
Cost or Valuation								
Balance as at 1 April	93	287	1,196	1,576	93	287	1,196	1,576
Additions	0	45	0	45	0	22	0	22
Revaluations	0	0	0	0	0	0	0	0
Impairment recognised in Surplus or deficit	0	0	0	0	0	(22)	0	(22)
Balance as at 31 March	93	332	1,196	1,621	93	287	1,196	1,576

Civic Regalia

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

Normanby Park and Hall

Normanby Hall is a Grade 1 listed building and is of local historical importance.

Other Heritage Assets

This category includes the exhibits on display and in storage at Scunthorpe Museum and Normanby Hall, as well as war memorials around the county and a Sculpture within the centre of Scunthorpe.

Note 16 Investment Properties

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

Income and Expenditure from Investment Properties

	2021/2022 £000	2020/2021 £000
Rental income from investment property	(264)	(5,210)
Direct operating expenses arising from investment property	5	807
Net (Gain)/Loss	(259)	(4,403)

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

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

	2021/2022 £000	2020/2021 £000
Balance at start of the year	56,789	58,250
Additions:		
- Purchases	0	682
- Subsequent expenditure	0	0
Disposals	0	(1,416)
Net (gains)/losses from fair value adjustments	(100)	(446)
Transfers:		
- to/from Assets Held for Sale	0	0
- to/from Property, Plant and Equipment	(54,538)	(281)
Other changes	(1)	0
Balance at end of the year	2,150	56,789

During 2021/22 the council undertook a review of its Investment Property portfolio to ensure these assets were correctly classified. See Note 3 for further details on this.

Note 17 Intangible Assets

The council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the council. The useful lives assigned to the major software suites used by the council are:

- Finance, Human Resources and Payroll – 10 years
- Electronic Document management – 5 years
- Adult Social Care Reform – 3 years

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £317k charged to revenue in 2021/2022 was charged £34k to Governance and Partnerships and £283k to Economy & Environment in the Cost of Services.

	2021/2022 £000	2020/2021 £000
Balance at start of the year	2,481	1,757
Accumulated Amortisation	(1,577)	(1,029)
Net carrying amount at start of year	904	728
Additions:		
- Purchases	816	724
- Other Movements	0	0
Disposals	(974)	0
Amortisation for the period	(317)	(548)
Amortisation written off on disposal	974	0
Net carrying amount at the end of the year	1,403	904
Comprising:		
- Gross carrying amounts	2,323	2,481
- Accumulated amortisation	(920)	(1,577)
	1,403	904

Note 18 Financial Instruments

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

	Long-term		Current	
	2021/2022 £000	2020/2021 £000	2021/2022 £000	2020/2021 £000
Financial Assets				
Unquoted equity investment at cost	0	0	0	0
Loans and receivables	23	339	13	12
Debtors carried at amortised cost	0	0	21,818	17,884
Total Financial Assets	23	339	21,831	17,896
Financial Liabilities				
Borrowings at amortised cost	(144,571)	(149,616)	(8,422)	(12,027)
Creditors carried at amortised cost	0	0	(44,429)	(30,957)
Total Financial Liabilities	(144,571)	(149,616)	(52,851)	(42,984)

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

	2021/2022 Liabilities measured at amortised cost £000	2020/2021 Liabilities measured at amortised cost £000
Interest expense	5,918	6,183
Total expense in Surplus or Deficit on the Provision of Services	5,918	6,183

Information as to the council's treatment of financial assets and liabilities within the accounts, including the basis of fair value measurements, is included within note 1 Accounting Policies (section xxiii. Financial Instruments).

The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value Disclosures are required)

Except for the financial assets carried at fair value, all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on

the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB payable, PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures.
- For non-PWLB loans payable, as market lenders to the sector compete with PWLB their rates must be comparable, therefore PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures.
- For loans receivable prevailing benchmark market rates have been used to provide the fair value.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

This table shows the carrying value and fair value of the loans to the council by the Public Works Loans Board and other organisations.

	2021/2022		2020/2021	
	Carrying amount £000	Fair value* £000	Carrying amount £000	Fair value* £000
Financial liabilities:				
PWLB	146,616	160,647	152,245	194,636
Other Borrowing	6,000	6,124	9,000	9,215
Total	152,616	166,771	161,245	203,851

*Fair value hierarchy: Quoted prices in active markets for identical assets / liabilities (level 1)

The fair value of the liabilities is greater than the carrying amount because the council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional loss (based on economic conditions as at 31 March 2022) arising from the commitment to pay interest to lenders above current market rates.

Note 19 Nature and Extent of Risks Arising from Financial Instruments

The council's activities expose it to a variety of financial risks, including:

- Credit risk – the possibility that other parties might fail to pay amounts due to the council
- Liquidity risk – the possibility that the council might not have funds available to meet its commitments to make payments
- Re-financing and Maturity risk – the possibility that the council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms
- Market risk – the possibility that financial loss might arise for the council as a result of changes in such measures as interest rates and market pricing of financial instruments.

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

Credit risk

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

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

The council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy approved by Full Council on the 25 February 2021. These include commercial entities with a minimum long-term credit rating of A- and the UK government. Recognising that credit ratings are imperfect predictors of default, the council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

The council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recovery applies to all the council's deposits, but there was no evidence at the 31 March 2022 that this was likely to crystallise.

Liquidity Risk

The council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The council has ready access to borrowing at favourable rates from the Public Works Loans Board (PWLB) and other local authorities. The council is also required to set a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure.

There is no significant perceived risk that the council will be unable to raise finance to meet its commitments.

Re-financing and Maturity Risk

The council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the re-financing risk procedures, longer-term risk to the council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the council's day to day cash flow needs, and the spread of longer-term investments provide stability of maturities and returns in relation to the longer-term cash flow need.

The maturity analysis of financial liabilities is as follows:

	2021/2022 £000	2020/2021 £000
Less than 1 year	8,045	10,561
Between 1 and 2 years	10,267	6,113
Between 2 and 5 years	31,710	31,852
Between 5 and 10 years	51,832	43,768
Between 10 and 20 years	26,254	43,725
Over 20 years	24,508	25,226
	152,616	161,245

Interest rate risk

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

- Borrowings at variable rates – the interest expense will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited will rise
- Investments at fixed rates – the fair value of the assets will fall.

The council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns, similarly the drawing of longer-term fixed rates borrowing would be postponed.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates.

Price risk

The market prices of any council fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk.

This will typically only apply where an investment is held as fair value through profit and loss or fair value through other comprehensive income.

Note 20 Debtors

	Long term debtors		Short term debtors	
	2021/2022 £000	2020/2021 £000	2021/2022 £000	2020/2021 £000
Central Government Bodies	0	0	3,366	3,492
Other Local Authorities	0	0	4,434	2,039
NHS Bodies	0	0	2,584	1,852
Other entities and individuals	0	0	12,089	12,325
Prepayments	0	0	2,246	1,983
Impairment of loans and receivables	0	0	(2,901)	(3,807)
Loans and Advances	23	339	13	12
Total Financial Instruments	23	339	21,831	17,896
NDR & Council Tax	0	0	10,115	11,154
Value Added Tax	0	0	2,722	2,603
Total Non-Financial Instruments	0	0	12,837	13,757
Total Debtors	23	339	34,668	31,653

A breakdown of the local taxation (council tax and non-domestic rates) figure, in the table above, can be seen in the table below, analysed by age. The analysis only shows those balances where assessment has indicated that, by exception, no impairment is required.

The amounts due, but not impaired, for local taxation is analysed as follows:

	2021/2022 £000	2020/2021 £000
Major Preceptors, not past due	1,545	2,846
1 year	5,172	5,192
1 – 2 years	1,622	1,641
2 – 3 years	1,136	1,028
3 – 4 years	640	447
Total	10,115	11,154

Note 21 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:

	2021/2022 £000	2020/2021 £000
Cash and Bank balances	(9,836)	(5,380)
Short Term Investments	49,051	23,999
Total	39,215	18,619

Note 22 Assets Held for Sale

These assets are being actively marketed for sale:

	2021/2022 £000	2020/2021 £000
Balance outstanding at start of year	6,805	8,867
Additions	2	0
Transferred from Non-Current Assets during year:		
- Property Plant and Equipment	188	880
Depreciation written out to Surplus/Deficit	0	0
Revaluation gains/losses	319	(2,583)
Impairment gains/losses to revenue	0	3
Impairment gains/losses to revaluation reserve	0	0
Assets declassified as held for sale to PPE	(1,940)	(362)
Assets sold	(1,345)	0
Other movement	0	0
Balance outstanding at year-end	4,029	6,805

Note 23 Creditors

These are amounts owed by the council in the next twelve months:

	2021/2022 £000	2020/2021 £000
Central government bodies	26,517	12,658
COVID-19 Grants due back to central government	3,320	4,551
Other local authorities	399	477
NHS bodies	1,092	720
Accumulated Absences	2,751	2,785
Bodies external to general government	10,350	9,766
Total Financial Instruments	44,429	30,957
NNDR & Council Tax	13,103	3,557
Tax and National Insurance	3,081	2,394
Total Non-Financial Instruments	16,184	5,951
Total Short-Term Creditors	60,613	36,908

Note 24 Provisions

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

	Balance as at 1 April 2021 £000	Increase in provision during year £000	Utilised during year £000	Unused Amounts Reversed £000	Balance as at 31 March 2022 £000	Estimated to be settled:	
						Current Provision £000	Long Term Provision £000
NNDR Appeals	8,205	1,101	(1,854)	0	7,452	2,941	4,511
Insurance Claims	1,348	514	(445)	0	1,417	461	956
Other	200	0	(181)	(19)	0	0	0
	9,753	1,615	(2,480)	(19)	8,869	3,402	5,467

National Non-Domestic Rates Appeals (NNDR)

This provision has been established to meet the council's share of the estimated costs of settling appeals against the NNDR valuation of properties, currently lodged with the Valuation Office Agency (VOA). The figure of £7.4m is the council's share of the full £15.2m appeals provision made from the collection fund.

Insurance Claims

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

Other

This covers several smaller provisions that are held to account for potential liabilities that are likely to result in a payment having to be made by the council but for which the timing and amount is currently uncertain.

Note 25 Unusable Reserves

Unusable Reserves

	2021/2022 £000	2020/2021 £000
Capital Adjustment Account	187,325	185,630
Revaluation Reserve	156,558	135,700
Deferred Capital Receipts Reserve	610	160
Pensions Reserve	(240,262)	(373,367)
Collection Fund Adjustment Account	112	(7,319)
Accumulated Compensated Absences Adjustment Account	(2,751)	(2,785)
Total Unusable Reserves	101,592	(61,981)

This note's comparator figures have been restated to adjust for the prior period adjustment explained in Note 41.

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 additions to those assets under statutory provisions. The account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the council as finance for the costs of acquisition, construction and subsequent costs.

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

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.

	2021/2022 £000		2020/2021 £000	
Balance at 1 April		185,630		188,217
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(20,022)		(20,862)	
Revaluation losses on Property, Plant and Equipment	(5,439)		(6,326)	
Amortisation of Intangible Assets	(317)		(548)	
Revenue expenditure funded from capital under statute (REFCUS)	(693)		(1,080)	
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	(4,713)		(3,826)	
		(31,184)		(32,642)
Adjusting amounts written out of the Revaluation Reserve		8,983		5,551
Net written out amount of the cost of non-current assets consumed in the year		(22,201)		(27,091)
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	1,675		286	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,332		9,486	
Application of grants to capital financing from the Capital Grants Unapplied Account	13,201		6,934	
Statutory provision for the financing of capital investment charged against the General Fund balance	6,538		8,090	
Capital expenditure charged against the General Fund balance	250		154	
		23,996		24,950
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(100)		(446)
Donated Asset credited to the Comprehensive Income and Expenditure Statement		0		0
Balance at 31 March		187,325		185,630

Revaluation Reserve

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

The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost

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

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

	2021/2022 £000	2020/2021 £000
Balance at 1 April	135,700	147,362
Net revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	29,842	(6,111)
Difference between fair value depreciation and historical cost depreciation	(3,853)	(3,638)
Revaluation balances on assets scrapped or disposed of	(5,131)	(1,913)
Amount written off to the Capital Adjustment Account	(8,984)	(5,551)
Balance at 31 March	156,558	135,700

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 council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement takes place, amounts are transferred to the Capital Receipts Reserve.

	2021/2022 £000	2020/2021 £000
Balance at 1 April	160	0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	450	160
Balance at 31 March	610	160

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

	2021/2022 £000	2020/2021 £000
Balance at 1 April	(373,367)	(223,448)
Re-measurements of the net defined benefit liability	165,117	(135,889)
Prepayment	3,027	3,027
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	(50,941)	(32,346)
Employer's pensions contributions and direct payments to pensioners payable in the year	15,902	15,289
Balance at 31 March	(240,262)	(373,367)

This note's comparator figures have been restated to adjust for the prior period adjustment explained in Note 41.

Collection Fund Adjustment Account

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

	2021/2022 £000	2020/2021 £000
Balance at 1 April	(7,319)	5,817
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	7,431	(13,136)
Balance at 31 March	112	(7,319)

Accumulated Absences Account

The Accumulated Absences 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.

	2021/2022 £000	2020/2021 £000
Balance at 1 April	(2,785)	(2,225)
Settlement or cancellation of accrual made at the end of the preceding year	2,785	2,225
Amounts accrued at the end of the current year	(2,751)	(2,785)
Balance at 31 March	(2,751)	(2,785)

Note 26 Cash flow from Operating Activities

The cash flows for operating activities include the following items:

	2021/2022 £000	2020/2021 £000
Interest Paid	(5,939)	(6,183)
Interest Received	16	13

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

	2021/2022 £000	2020/2021 £000
Adjustment to surplus or deficit on the provision of services for noncash movements		
Depreciation and Impairment	20,022	20,862
Revaluations	5,439	6,326
Amortisation	317	548
Increase/(Decrease) in impairment for bad debts	(906)	856
(Increase)/Decrease in Inventories	1,123	(937)
(Increase)/Decrease in Debtors	(3,635)	99
Increase/(Decrease) in Creditors	13,662	17,365
Movement in pension liability	35,039	17,057
Prepayment of Secondary Pension Contributions	0	(9,080)
Carrying amount of non-current assets sold	4,712	3,827
Movement in provisions	(884)	(376)
Movement in value of investments properties	100	446
	74,989	56,993
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
Proceeds from the sale of PP&E, investment property and intangible assets	(2,397)	(1,028)
Capital grants include in Taxation & non-specific grant income	(12,969)	(29,584)
	(15,366)	(30,612)

This note's comparator figures have been restated to adjust for the prior period adjustment explained in Note 41.

Note 27 Cash flow from Investing Activities

The surplus or deficit on the provision of services has been adjusted for the following items that are investing activities:

	2021/2022 £000	2020/2021 £000
Purchase of PP&E, investment property and intangible assets	(21,574)	(26,747)
Proceeds from the sale of PP&E, investment property and intangible assets	2,397	1,028
Capital Grants and Contributions Received	12,969	29,584
Net Cash flows from Investing Activities	(6,208)	3,865

Note 28 Cash flow from Financing Activities

The surplus or deficit on the provision of services has been adjusted for the following items that are financing activities:

	2021/2022 £000	2020/2021 £000
Cash Receipts of Short and Long-term borrowing	3,000	12,000
Repayment of Short and Long-term Borrowing	(11,629)	(54,595)
Council Tax and NNDR Adjustments	10,594	(8,057)
Net Cash flows from Financing Activities	1,965	(50,652)

Reconciliation of Liabilities Arising from Financing Activities

	Balance as 1-Apr-2021 £000	Cash Changes Financing Cash Flows £000	Non-Cash Changes Movement from long-term to short-term £000	Interest Accruals £000	Balance at 31-Mar-2022 £000
Long-term Borrowings	149,616	(5,629)	583	0	144,570
Short-term Borrowings	12,027	(3,000)	(583)	(21)	8,423
Total Liabilities from Financing Activities	161,643	(8,629)	0	(21)	152,993

Note 29 Pooled Budgets

North Lincolnshire Council and North Lincolnshire Clinical Commissioning Group (NLCCG) are involved in a pooled budget scheme for the Better Care Fund.

The Better Care Fund supports integration of health and social care which is implemented via a Section 75 pooled budget arrangement. This council is a partner within the pooled budget with NLCCG.

This funding requires the council and its health partners to agree how the money should be used to support social care activity that also has a health benefit. In accordance with national requirements NLC submitted its better care plan as to how it would use funding to improve its citizen's lives, and monitoring reports detailing progress continue to be submitted by NLCCG to NHS England.

The focus continues to support projects to deliver four key performance metrics and the high impact change model. The performance metrics are:

- Avoidable admissions
- Length of stay
- Discharge to normal place of residence
- Residential admissions
- Reablement

Funding of services to support these performance metrics focuses on supporting elderly service users, rapid response and reablement services to prevent people from needing to access hospital care.

	2021/2022 Better Care Funds £000	2020/2021 Better Care Funds £000
Funding provided to the pooled budget:		
The Authority	17,286	16,897
The NLCCG	5,603	5,319
	22,889	22,216
Expenditure met from the pooled budget:		
The Authority	16,727	16,028
The NLCCG	5,603	5,319
	22,330	21,347
Net surplus/(deficit) arising on the pooled budget during the year	559	869

Note 30 Members' Allowances

Members' allowances, including Employer's costs, are as follows:

	2021/2022 £000	2020/2021 £000
Allowances	547	508
Expenses	7	2
Total	554	510

Note 31 Officers' Remuneration

Senior Officer Remuneration

Continuing Employees		Basic Salary £	Salary Supplement £	Compensation for Loss of Office £	Contribution to Pension Fund £	Total £
Chief Executive – P Thorpe ⁽³⁾ (Head of Paid Service)	2021/2022 2020/2021	90,763 0	5,446 0	0 0	14,250 0	110,459 0
Deputy Chief Executive	2021/2022 2020/2021	149,428 147,219	8,966 8,833	0 0	23,460 23,113	181,854 179,165
Director of Adults and Health (Previously Director of Adults & Community Well-being)	2021/2022 2020/2021	105,000 103,598	6,300 6,216	0 0	16,485 16,265	127,785 126,079
Director of Economy and Environment (Previously Director of Business Development)	2021/2022 2020/2021	100,149 96,771	6,009 5,806	0 0	15,723 15,193	121,881 117,770
Director of Children and Families ⁽¹⁾ (Previously Interim Director of Children & Community Resilience) Wef 02.08.2021	2021/2022 2020/2021	72,042 0	4,323 0	0 0	11,311 0	87,676 0
Director of Governance and Communities (Chief Financial Officer) (Previously Director of Governance and Partnerships)	2021/2022 2020/2021	100,226 96,771	5,980 5,806	0 0	15,735 15,193	121,941 117,770
Director of Public Health ⁽²⁾	2021/2022 2020/2021	0 57,093	0 3,417	0 0	0 8,190	0 68,700
Head of Legal and Democracy (Monitoring Officer)	2021/2022 2020/2021	65,398 64,431	3,924 3,866	0 0	10,267 10,116	79,589 78,413

- (1) Director of Children and Families – This post was previously the Director of Children and Community Resilience and during 2021/22 the post was held by two different members of staff. The most recent postholder was appointed from 2nd August 2021. The change in the post's designation happened in January 2022 following a Senior Leadership Review.
- (2) Director of Public Health – Since 2020 the Director of Public Health function has been provided through a number of different arrangements which do not require disclosure in this note. The most recent is a joint arrangement with Lincolnshire County Council and North East Lincolnshire Council. The role is being undertaken by a Lincolnshire County Employee with the costs shared equally between the three parties.

Resigned, Redundant, Redesignated or Retired Employees		Basic Salary £	Salary Supplement £	Compensation for Loss of Office £	Contribution to Pension Fund £	Total £
Chief Executive – D Hyde ⁽³⁾ (Head of Paid Service)	2021/2022	79,044	4,188	0	11,159	94,391
	2020/2021	157,032	9,422	0	25,109	191,563
Director of Learning, Skills & Culture ⁽⁴⁾	2021/2022	43,368	2,602	0	6,809	52,779
	2020/2021	99,236	5,954	0	15,580	120,770
Director of Children & Community Resilience ⁽¹⁾	2021/2022	35,931	2,148	0	5,621	43,700
	2020/2021	107,415	6,445	0	16,864	130,724

(3) The Chief Executive retired in September 2021. An appointment was made with immediate effect.

(4) The Director of Learning, Skills and Culture post was deleted in the Senior Leadership review with effect from January 2022.

Senior Employee Remuneration

The council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

	2021/2022			2020/2021		
	Teachers	Other Staff	Total	Teachers	Other Staff	Total
£50,001 to £55,000	39	32	71	44	20	64
£55,001 to £60,000	17	42	59	17	38	55
£60,001 to £65,000	16	6	22	13	9	22
£65,001 to £70,000	13	6	19	10	11	21
£70,001 to £75,000	7	5	12	6	4	10
£75,001 to £80,000	6	6	12	4	5	9
£80,001 to £85,000	1	3	4	3	1	4
£85,001 to £90,000	3	1	4	2	0	2
£90,001 to £95,000	3	0	3	1	1	2
£95,001 to £100,000	0	0	0	1	0	1
£100,001 to £105,000	2	0	2	1	0	1
£105,001 to £110,000	1	0	1	1	0	1
£110,001 to £115,000	0	0	0	0	0	0
£115,001 to £120,000	0	0	0	2	0	2
£120,001 to £125,000	1	0	1	0	0	0
	109	101	210	105	89	194

Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below (excluding any Senior Officers which are listed individually above):

	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2021/2022	2020/2021	2021/2022	2020/2021	2021/2022	2020/2021	2021/2022	2020/2021
							£000	£000
£0-£20,000	5	9	19	17	24	26	204	148
£20,001 - £60,000	2	0	2	3	4	3	122	86
Total cost included in CIES							326	234

Note 32 External Audit Costs

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

	2021/2022 £000	2020/2021 £000
Fees payable regarding external audit services carried out by the appointed auditor for the year	110	112
Fees payable in respect of grant claims during the year	17	16
Fees payable in respect of other services provided during the year	0	0
	127	128

Note 33 Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools' Budget, as defined in the School Finance and Early Years (England) Regulations 2021. The Schools' Budget includes elements for a range of educational services provided on a council-wide basis and for the Individual Schools' Budget, which is divided into a budget share for each maintained school.

Distribution of DSG receivable for 2021/2022 is as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2021/2022 before Academies recoupment			152,590
Academy figure recouped for 2021/2022			60,462
Total DSG after academy recoupment for 2021/2022			92,128
Plus: Brought forward from 2020/2021			3,860
Less: Carry forward to 2022/2023 (agreed in advance)			(3,688)
Agreed initial budgeted distribution in 2021/2022	27,990	64,310	92,300
In year adjustments	(156)		(156)
Final budget distribution for 2020/2021	27,834	64,310	92,144
Less: Actual central expenditure	25,957		25,957
Less: Actual ISB deployed to schools		64,310	64,310
Plus: Local Authority contribution for 2021/2022	0	0	0
In-Year Carry Forward to 2022/2023	1,877	0	1,877
Plus/Minus: Carry Forward to 2022/2023 agreed in advance			3,688
Carry Forward to 2022/2023			5,565
DSG in unusable reserve at the end of 2020/2021			0
Addition to DSG unusable reserve at the end of 2021/2022			0
Total DSG in unusable reserve at the end of 2021/2022			0
Net DSG position at the end of 2021/2022			5,565

Note 34 Grant Income

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement during the year.

	Note	2021/2022 £000	2020/2021 £000
Credited to Taxation and Non-Specific Grant Income			
Council Tax Income	13	(81,199)	(77,631)
Non-Domestic Rates Income and Expenditure	13	(37,572)	(31,207)
Capital Grants	13	(12,969)	(29,583)
Non-ring-fenced Government Grants:			
Business Rates Relief Grant	13	(7,829)	(9,984)
Revenue Support Grant	13	(6,232)	(6,198)
Social Care Grant	13	(5,559)	(4,515)
COVID-19 Emergency Grant	13	(4,544)	0
COVID-19 Local Council Tax Support	13	(1,163)	0
Lower Tier Services Grant	13	(252)	0
Rural Services Grant	13	(216)	(206)
New Homes Bonus	13	(206)	(414)
Other Non-ring-fenced Government Grants	13	(23)	(23)
COVID-19 Response Grant	13	0	(8,347)
COVID-19 Hardship Fund Grant	13	0	(1,170)
Tax Income Guarantee Compensation – Council Tax	13	59	(347)
Total		(157,705)	(169,625)
Credited to Services			
Dedicated Schools Grant		(92,128)	(86,562)
DWP - Rent Allowance Subsidy		(25,635)	(29,412)
Public Health England		(9,435)	(9,346)
Better Care Fund		(7,674)	(7,285)
Improved Better Care Fund		(7,025)	(7,025)
EFSA- Pupil Premium		(4,784)	(4,637)
COVID-19 Discharge Arrangements		(2,082)	(1,928)
Workforce Recruitment and Retention Fund		(1,466)	0
Household Support Fund		(1,324)	0
Contain Outbreak Management Fund		(1,173)	(4,312)
Skills Funding Agency		(1,125)	(1,169)
EFSA – Free School Meals		(1,120)	(1,506)
COVID-19 Income Compensation Scheme		(763)	(3,480)
EFSA – Teachers Pension		(77)	(2,413)
Additional Restrictions Grant		0	(4,976)
COVID-19 Discretionary Support Grant		0	(1,771)
Total		(155,811)	(165,822)

The authority has received grants that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at year-end are as follows:

	2021/2022 £000	2020/2021 £000
Grants received in advance		
Capital Grants	(10,637)	(20,097)
Revenue Grants	(22,987)	(10,192)
Total	(33,624)	(30,289)

The large increase in revenue grants received in advance relates to the Council Tax Energy Rebate and COVID-19 Additional Relief Grant being prepaid by DLUHC.

Note 35 Related Parties

Related Parties

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

Central Government

Central government has significant influence over the general operations of the council – it is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grant receipts are shown in Note 34.

Members and officers

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid during the year is shown in Note 30. The Register of Members' Interests is available to be viewed on the council's website. Officers that might be in a position to influence significantly the policies of the council are considered to be members of the Senior Leadership Team. All senior officers have been required to complete a related declaration identifying organisations with which they have influence/or control, and which may have a related party interest with the council.

2021/2022	In-Year Expenditure	In-Year Income	Year- end Creditor	Year- end Debtor	Number of parties declaring an interest	
	£000	£000	£000	£000	Members	Officers
Related Party Interests:						
Works and Services commissioned from companies	372	(4)	0	(1)	12	0
Grants to Voluntary Organisations	385	(62)	0	(4)	31	0
Grant contributions to Charities	1,775	(20)	0	(12)	12	1
Grant to Non-Profit Organisations	380	(17)	0	(5)	9	0

2020/2021	In-Year Expenditure	In-Year Income	Year- end Creditor	Year- end Debtor	Number of parties declaring an interest	
	£000	£000	£000	£000	Members	Officers
Related Party Interests:						
Works and Services commissioned from companies	445	(21)	3	(15)	13	0
Grants to Voluntary Organisations	514	(60)	0	0	19	0
Grant contributions to Charities	817	(9)	12	(2)	9	0
Grant to Non-Profit Organisations	403	(5)	0	0	5	0

In all instances, the grants were made with proper consideration of declarations of interest. The relevant members or officers did not take part in any discussion or decision relating to the payments.

Note 36 Capital Expenditure and Capital Financing

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

	2021/2022 £000	2020/2021 £000
Opening Capital Financing Requirement	245,188	244,332
Capital Investment		
Property, Plant and Equipment	21,665	23,298
Investment Properties	0	682
Intangible Assets	816	724
Heritage Assets	45	22
Revenue Expenditure Funded from Capital under Statute (REFCUS)	6,158	3,415
	28,684	28,141
Sources of finance		
Capital receipts	(1,675)	(286)
Government grants and other contributions	(20,998)	(18,755)
Sums set aside from revenue:		
Direct revenue contributions	(245)	(154)
Minimum and Voluntary Revenue Provision	(6,538)	(8,090)
	(29,456)	(27,285)
Closing Capital Finance Requirement	244,416	245,188
Explanation of movements in year		
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(772)	856
Increase/(decrease) in Capital Financing Requirement	(772)	856

Note 37 Leases

Operating Leases (council as lessor)

The council leases out property under operating leases for the following purposes:

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

The future minimum lease payments receivable under non-cancellable leases in future years are:

	2021/2022 Land and Buildings £000	2020/2021 Land and Buildings £000
No later than 1 year	3,878	3,673
Later than 1 year and no later than 5 years	10,645	10,819
Later than 5 years	98,774	100,235
	113,297	114,727

Note 38 Pension Schemes Accounted for as Defined Contribution Schemes

Teachers

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

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

The arrangements for the teachers' scheme mean that the council is not able to identify its share of the underlying financial position and performance within 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 2021/2022, the council paid £7.0m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2020/2021 were £6.9m and 23.68% of pensionable. The contributions due to be paid in the next financial year are estimated to be £7.0m.

The council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 39.

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

Public Health staff

Since 1 April 2013, public health staff have been employed by the council. These members of staff retained access to the NHS Pension Scheme, administered by the NHS Business Services Authority on behalf of the Department of Health and Social Care. The scheme is run on the same basis as the teachers' pension scheme.

In 2021/2022 the council paid £35k to the NHS Pension Scheme in respect of the retirement benefits of public health staff representing 14.38% of pensionable pay. In 2020/2021 the council paid £53k to the NHS Pension Scheme, representing 14.38% of pensionable pay. Contributions due to be paid in the next financial year are estimated to be £35k.

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

Note 39 Defined Benefit Pension Schemes

Participation in the Local Government Pension Scheme

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

The council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by East Riding of Yorkshire Council - this is a funded defined benefit final salary 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.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these liabilities, and cash must be generated to meet actual pension payments as they eventually fall due.

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

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

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions relating to Post-Employment Benefits

The council recognises the cost of retirement benefits in the reported cost of service when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the council is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement on Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Discretionary Benefits	
	2021/2022 £000	2020/2021 £000	2021/2022 £000	2020/2021 £000
Comprehensive Income and Expenditure Statement				
<i>Cost of services:</i>				
<i>Service cost comprising:</i>				
Current service cost	43,306	27,152	0	0
Past service cost	21	(376)	0	0
(Gain)/loss from settlements	0	0	0	0
<i>Financing and Investment Income and Expenditure:</i>				
Net Interest expense	7,614	5,271	0	0
Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services	50,941	32,047	0	0
<i>Other post-employment benefits charged to the CIES</i>				
Re-measurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(53,800)	(99,461)	0	0
Actuarial gains and losses arising on changes in demographic assumptions	(17,762)	13,829	0	0
Actuarial gains and losses arising on changes in financial assumptions	(93,810)	231,195	394	528
Other	(139)	(10,202)	0	0
Total post-employment benefits charged to the CIES	(114,570)	167,408	394	528
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(50,941)	(32,047)	0	0
Actual amount charged against the general fund balance for pensions in the year:				
Employers' contributions payable to scheme	14,241	13,559		
Retirement benefits payable to pensioners			1,661	1,730

This note's comparator figures have been restated to adjust for the prior period adjustment explained in Note 41.

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the council's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme		Discretionary Benefits	
	2021/2022 £000	2020/2021 £000	2021/2022 £000	2020/2021 £000
Present value of the defined obligation	(1,061,608)	(1,115,091)	(20,287)	(21,554)
Fair value of plan assets	844,659	769,331	0	0
Net liability arising from the defined benefit obligation	(216,949)	(345,760)	(20,287)	(21,554)
Total Liability	(237,236)	(367,314)		

Reconciliation of movements in the fair value of scheme assets

	Local Government Pension Scheme		Discretionary Benefits	
	2021/2022 £000	2020/2021 £000	2021/2022 £000	2020/2021 £000
Opening fair value of scheme assets	769,331	651,963		
Interest income	15,319	14,918		
Re-measurement gain/(loss):				
the return on plan assets, excluding the amount included in the net interest expense	53,800	99,461		
Other	11,914	0		
The effect of changes in foreign exchange rates				
Contributions from employer	14,241	13,559	1,661	1,730
Prepayment of contributions	0	9,080		
Contributions from employees into the scheme	5,277	5,003		
Benefits paid	(25,223)	(24,354)	(1,661)	(1,730)
Other	0	(299)		
Closing value of scheme assets	844,659	769,331	0	0

Reconciliation of present value of the scheme liabilities:

	Local Government Pension Scheme		Discretionary Benefits	
	2021/2022 £000	2020/2021 £000	2021/2022 £000	2020/2021 £000
Opening balance at 1 April	(1,115,091)	(852,655)	(21,554)	(22,756)
Current service cost	(43,306)	(27,152)		
Interest cost	(22,933)	(20,189)		
Contributions from scheme participants	(5,277)	(5,003)		
Re-measurement gains and (losses):				
Actuarial gains/(losses) from changes in demographic assumptions	17,762	(13,829)		
Actuarial gains/(losses) from changes in financial assumptions	93,810	(231,195)	(394)	(528)
Other (if applicable)	(11,775)	10,202		
Past service cost	(21)	(29)		
Curtailments	0	405		
Benefits paid	25,223	24,354	1,661	1,730
Liabilities extinguished on settlements	0	0		
Balance as at 31 March	(1,061,609)	(1,115,091)	(20,287)	(21,554)

This note's comparator figures have been restated to adjust for the prior period adjustment explained in Note 41.

Local Government Pension Scheme assets comprised:

	2021/2022 £000	2020/2021 £000
Cash and cash equivalents	10,853	21,367
Equities:		
<i>by industry type</i>		
Other	101,314	93,239
Bonds:		
<i>by sector</i>		
Corporate (non-Investment Grade)	38,802	66,220
Government	22,177	23,796
Other	13,314	14,448
sub-total bonds	74,293	104,464
UK Property	96,262	89,438
UK Private equity	61,706	43,870
Other investment funds:		
Equities	339,671	313,920
Bonds	73,595	32,611
Infrastructure	57,555	46,232
Other	29,410	24,190
sub-total other investment funds	500,231	416,953
Total assets	844,659	769,331

Basis for estimating assets and liabilities

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

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Pension Fund being based on the latest full valuation of the scheme as at 31 March 2019.

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

Local Government Pension Scheme 2021/2022 2020/2021		
Mortality assumptions:		
<i>Longevity at 65 current pensioners:</i>		
Men	21.1	21.0
Women	21.9	23.7
<i>Longevity at 65 for future pensioners:</i>		
Men	24.0	22.2
Women	25.5	25.5
Financial assumptions:		
Rate of increase in salaries	3.20%	3.75%
Rate of increase in pensions	3.20%	2.85%
Discount Rate	2.70%	2.00%
Rate of Inflation (CPI)	3.20%	2.85%

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

Change in assumptions at 31 March 2021	Approximate increase to Employer	
	%	£000
0.1% decrease in Real Discount Rate	2%	19,513
1 year increase in member life expectancy	4%	43,276
0.1% increase in the Salary Increase Rate	0	2,461
0.1% increase in the Pension Increase Rate	2%	16,912

Impact on the Council's Cash Flows

The council's anticipated contributions to the scheme in 2022/2023 is £14.3m.

Note 40 Inventories

		Balance outstanding at start of year £'000	Purchases £'000	Recognised as an expense in year £'000	Written off balances £'000	Balance outstanding at end of year £'000
Highways Materials	2021/2022	426	162	(329)	(87)	172
	2020/2021	226	331	(131)	0	426
Personal Protective Equipment Stock	2021/2022	697	13	(496)	(214)	0
	2020/2021	0	1,100	(401)	(2)	697
Waste Stock	2021/2022	172	86	(252)	(6)	0
	2020/2021	132	262	(180)	(42)	172
Total	2021/2022	1,295	261	(1,077)	(307)	172
	2020/2021	358	1,693	(712)	(44)	1,295

Note 41 Prior Period Adjustment

In April 2020, the council made a pension prepayment of £9.0m to the East Riding Pension Fund. The payment was for three years secondary employer contributions at a reduced rate resulting in a saving.

An error on the treatment of this payment was identified during the 2021/22 accounts process and a prior period adjustment has been made to correct the entries. This has had no impact on the council's useable reserves.

CIES	Net Expenditure 2020/2021 £'000	Restatement Amount £'000	Restated 2020/2021 £'000
Adults and Health	33,258	1,116	34,374
Children and Families	26,742	1,556	28,298
Central and Technical	13,237	0	13,237
Economy and Environment	53,236	2,489	55,725
Governance and Communities	16,086	1,495	17,581
Public Health	(1,613)	75	(1,538)
Schools	(2,123)	2,349	226
Cost of Services	138,823	9,080	147,903
(Surplus) or Deficit on Provision of Services	(17,338)	9,080	147,903
Total Comprehensive Income and Expenditure	124,662	9,080	133,742

NOTE 7 - EFA	Net Expenditure 2020/2021 £'000	Restatement Amount £'000	Restated 2020/2021 £'000
Adults and Health	33,258	1,116	34,374
Children and Families	26,742	1,556	28,298
Central and Technical	13,237	0	13,237
Economy and Environment	53,236	2,489	55,725
Governance and Communities	16,086	1,495	17,581
Public Health	(1,613)	75	(1,538)
Schools	(2,123)	2,349	226
Net Cost of Services	138,823	9,080	147,903
Other Income and Expenditure	(156,161)	0	(156,161)
(Surplus) or Deficit	(17,338)	9,080	(8,258)

NOTE 7 – ADJ TO GENERAL FUND TO ARRIVE AT CIES	Pensions 2020/2021 £'000	Restatement Amount £'000	Restated 2020/2021 £'000
Adults and Health	555	1,116	1,671
Children and Families	774	1,556	2,330
Central and Technical	(4,833)	0	(4,833)
Economy and Environment	1,261	2,489	3,750
Governance and Communities	719	1,495	2,214
Public Health	37	75	112
Schools	1,168	2,349	3,517
Net Cost of Services	(319)	9,080	8,761
Other Income and Expenditure	5,270	0	5,270
	4,951	9,080	14,031

NOTE 8 – EXPENDITURE AND FUNDING ANALYSIS	2020/2021 £'000	Restatement Amount £'000	Restated 2020/2021 £'000
Expenditure:			
Employee Benefits Expenses	161,052	9,080	170,132
Total Expenditure	374,477	9,080	383,557

NOTE 9 – ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS	2020/2021 General Fund Balance £'000	2020/2021 Movement in Unusable Reserves £'000	Restatement Amount General Fund Balance £'000	Restatement Amount Movement in Unusable Reserves £'000	Restated 2020/2021 General Fund Balance £'000	Restated 2020/2021 Movement in Unusable Reserves £'000
Adjustments to the Revenue Resources:						
Pension cost (transferred to (or from) the Pensions Reserve)	7,977	(7,977)	9,080	(9,080)	17,057	(17,057)
Total Adjustments to the Revenue Resources	42,248	(42,248)	9,080	(9,080)	51,328	(51,328)
Total Adjustments	12,879	(26,624)	9,080	(9,080)	21,959	(35,704)

BALANCE SHEET	2020/2021 £'000	Restatement Amount £'000	Restated 2020/2021 £'000
Other Long-Term Liabilities	(358,234)	(9,080)	(367,314)
Long-Term Liabilities	(514,366)	(9,080)	(523,446)
Net Assets	51,574	(9,080)	42,494
Usable Reserves	104,475	0	104,475
Unusable Reserves	(52,901)	(9,080)	(61,981)
Total Reserves	51,574	(9,080)	42,494

NOTE 25 – UNUSABLE RESERVES – PENSION RESERVE	2020/2021 £'000	Restatement Amount £'000	Restated 2020/2021 £'000
Reversal of items relating to retirement benefits	(23,266)	(9,080)	(32,346)
Balance at 31 March 2021	(364,287)	(9,080)	(373,367)

NOTE 39 – DEFINED BENEFIT PENSION SCHEME	2020/2021 £'000	Restatement Amount £'000	Restated 2020/2021 £'000
Liabilities:			
Current Service Costs	(18,072)	(9,080)	(27,152)
Balance at 31 March 2021	(1,106,011)	(9,080)	(1,115,091)

CASH FLOW STATEMENT	2020/2021 £'000	Restatement Amount £'000	Restated 2020/2021 £'000
Net Surplus or (deficit) on the Provision of Services	17,338	(9,080)	8,258
Adjustment to surplus or deficit on the provision of services for non-cash movements	47,913	9,080	56,993
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(30,612)	0	(30,612)
Net Cash flows from operating activities	34,639	0	34,639

NOTE 26 – CASH FLOW FROM OPERATING ACTIVITIES	2020/2021 £'000	Restatement Amount £'000	Restated 2020/2021 £'000
Adjustment to surplus or deficit on the provision of services for non-cash movements			
Movement in pension liability	7,977	9,080	17,057
Total Adjustment to surplus or deficit for non-cash movements	47,913	9,080	56,993

Collection Fund

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

2020/2021			2021/2022		
Business Rates £000	Council Tax £000	Total £000	Business Rates £000	Council Tax £000	Total £000
INCOME					
	(94,736)	(94,736)		(99,231)	(99,231)
(68,366)		(68,366)			
0		0			
0		0			
0		0			
		0			
(68,366)	(94,736)	(163,102)			
EXPENDITURE					
(868)		(868)			0
2,563	972	3,535			0
17	55	72			0
	133	133			0
38,209		38,209			
37,365	77,854	115,219			
763	4,322	5,085			
	11,386	11,386			
404	348	752			
106	1,103	1,209			
(1,030)		(1,030)			
3,078		3,078			
239		239			
244		244			
5,423		5,423			
86,513	96,173	182,686			
18,147	1,437	19,584			
(827)	(79)	(906)			
17,320	1,358	18,678			

Collection Fund Note 1 - Council Tax Income

Income from council tax is derived from charges raised according to the value of residential properties, which have been classified into valuation bands using estimated values as at 1 April 1991. The tax base calculation is based upon the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts and exemptions. Individual charges are calculated by estimating the amount of income required to fund the demands on the Collection Fund and dividing this by the tax base.

The number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings is detailed below:

Valuation Band Limits		Calculated number of dwellings	Ratio to Band D	Equated number of dwellings	Council Tax Payable (£)
A	Up to 40,000	25,141	6/9	16,760.6	1,297.78
B	40,001 - 52,000	13,031	7/9	10,135.0	1,514.08
C	52,001 - 68,000	9,684	8/9	8,608.0	1,730.37
D	68,001 - 88,000	6,919	9/9	6,919.4	1,946.67
E	88,001 - 120,000	3,512	11/9	4,292.6	2,379.26
F	120,001 - 160,000	1,454	13/9	2,100.4	2,811.86
G	160,001 - 320,000	474	15/9	790.6	3,244.45
H	More than 320,001	11	18/9	21.7	3,893.34
				49,628.3	
		Adjustment	-	12.0	
				49,640.3	

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

(i)	Preceptors' Council Tax Requirements	£96,633,325
(ii)	Number of Band D equivalent Dwellings	49,640.3
	Band D – (i) divided by (ii)	£1,946.67

Collection Fund Note 2 – Non-Domestic Rates

Non-Domestic Rates are determined on a national basis by central government which specifies a rating multiplier and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. In 2021/2022 the amount was 51.2p (51.2p in 2020/2021) and 49.9p for small businesses (49.9p in 2020/2021).

The council is responsible for collecting rates due from the ratepayers in its area and distributing the amount collected between itself, central government and major preceptors in proportions specified by central government. The council's share of this is shown in the Comprehensive Income and Expenditure Statement and analysed at Note 13. The total rateable value as at 31 March 2022 was £198,325,059 (as at 31 March 2021 it was £200,000,378).

Glossary of Financial Terms

Financial Abbreviations and roundings

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

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

Glossary

Accruals

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

Actuary

Pension expert.

Amortisation

The writing off of a balance over a period of time to reflect the reduced value.

Capital Expenditure

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

Capital Receipts

Income received from the sale of capital assets.

Cash and Cash Equivalents

Cash and cash equivalents include petty cash, cash in transit, bank balances (according to the ledger), and short-term, highly liquid investments that are readily convertible to known amounts of cash.

Code of Practice (The Code)

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

Collection Fund

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

Community Assets

Assets that the authority 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.

Creditors

Amounts owed by the authority 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 authority 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.

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

This is the measure of the wearing out, consumption, or other reduction in the useful life of a non-current asset, whether arising from use, over time or obsolescence through technological or other changes.

Events after the balance sheet date

Those events of such materiality that their disclosure is required for the fair presentation of the authority's statements, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the authority 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 authority 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.

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 authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to significantly curtail 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 an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

Impairment

A reduction in the value of a non-current asset to below its carrying amount on the Balance Sheet.

International Financial Reporting Standards (IFRSs)

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

Intangible Asset

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

Infrastructure Assets

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

Investment Properties

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

Leasing

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

Levy

Impose or collect an amount (such as a tax) by compulsion or legal authority.

Liquid Resources

Current asset investments that are readily disposable by the authority 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 authority. They should be so classified only where an intention to hold the asset for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Where investments are not classified as long-term investments, they are classified as current assets.

Minimum Revenue Provision (MRP)

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

National Non-Domestic Rate (NNDR)

Amounts payable to the authority from non-domestic properties. National Non-Domestic Rate is a standard rate in the pound set by central government on the assessed rateable value of properties used for business purposes.

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 authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Precept

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

Property, Plant & Equipment

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

Provision

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

Prudence

An 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.

Remuneration

All amounts paid to or receivable by a person and includes sums due by way of expenses allowance (so far as those sums are chargeable to United Kingdom income tax), and the estimated money value of any other benefits received by an employee otherwise than in cash.

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 authority, including employee costs, running expenses and capital financing costs.

Revenue Expenditure Financed from Capital Under Statute (REFCUS)

Expenditure which may be properly capitalised, but which does not result in, or remain matched with, tangible non-current assets. An example would be capital expenditure on improvement grants.

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.

Useful Life

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