

Meeting: **AUDIT COMMITTEE**  
Date: **28 SEPTEMBER 2011**  
Time: **5.00PM**  
Venue: **COMMITTEE ROOM**  
To: **Councillors Mrs E Casling (Chair), J Cattnach, J Crawford,  
M Dyson, Mrs C Mackman (Vice Chair), Mrs M McCartney,  
I Nutt, R Packham, I Reynolds**

## Agenda

**1. Apologies for absence**

**2. Disclosures of Interest**

Members of the Audit Committee should disclose personal or prejudicial interest(s) in any item on this agenda.

**3. Minutes**

To confirm as a correct record the minutes of the proceedings of the meeting of the Audit Committee held on 29 June 2011 Pages 3 to 7 attached

**4. Chair's Address to the Audit Committee**

**5. Audit Committee Report A/11/5 – Statement of Accounts (post audit)**

Report of the Executive Director (S151) Pages 8 to 139 attached

**6. Audit Committee Report A/11/6 – Annual Governance Statement**

Report of the Executive Director (S151) Pages 140 to 156 attached

**7. Audit Committee Report A/11/7 – Audit Commission's Annual Governance Report and Opinion on the Financial Statements**

Report of the Executive Director (S151) Pages 157 to 172 attached

**8. Audit Committee Report A/11/8 – Counter Fraud Annual Report**

Report of the Executive Director (S151) Pages 173 to 187 attached

**9. Audit Committee Report A/11/9 – Internal Audit Quarter 1 +Report 2011/12**

Report of the Executive Director (S151) Pages 188 to 195 attached

**10. Private Session**

**That in accordance with Section 100(A) (4) of the Local Government Act 1972, in view of the nature of the business to be transacted, the meeting be not open to the Press and public during discussion of the following item as there will be disclosure of exempt information as defined in Section 100(1) of the Act as described in paragraph 3 of Part 1 of Schedule 12(A) of the Act.**

**11. Audit Committee Report A/11/10 – Review of Corporate Risk Register**

Report of the Executive Director (S151) Pages 196 to 217 attached

**12. Audit Committee Report A/11/11 – Risk Management Strategy**

Report of the Executive Director (S151) Pages 218 to 234 attached

**Jonathan Lund  
Deputy Chief Executive**

<b>Dates of next meetings</b>
4 January 2012
18 April 2012

Enquiries relating to this agenda, please contact Richard Besley on:  
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# Minutes

## Audit Committee

- Venue: Committee Room 2
- Date: 29 June 2011
- Present: Councillor Mrs Casling (Chair), Councillor Cattanach, Councillor Crawford, Councillor Dyson, Councillor Mrs Mackman, Councillor Mrs McCartney, Councillor Packham and Councillor Reynolds
- Apologies for Absence: Councillor Nutt
- Officers Present: James Ingham, Head of North Yorkshire Audit Partnership; Karen Iveson, Executive Director; Jackie Humphreys, Human Resources and Richard Besley, Democratic Services

### 1. DECLARATIONS OF INTEREST

There were no declarations of interest.

### 2. MINUTES

#### RESOLVED:

**To receive and approve the minutes of the Audit Committee held on 29 March 2011 and they are signed by the Chair.**

### 3. CHAIR'S ADDRESS AND INTRODUCTION TO THE AUDIT COMMITTEE

The Chair welcomed councillors of the new Audit Committee to their first meeting. The Chair highlighted the roles and responsibilities of the Committee in monitoring the internal control framework of Selby District Council and the need for robust systems. She urged the Committee to

read the reports put before it in the coming year and inform the Chair should they have any issues which would then be put to officers. With the introduction of the new structure and the new role of Access Selby there would be a lot to consider this year.

Executive Director, Karen Iveson, outlined the role of Audit as one of three Overview and Scrutiny Committees and its duty in scrutinising the Council's finances and risks.

The Executive Director explained how the Committee would now be responsible for approving the accounts of the Council.

The Committee would also receive reports on Selby District Council's control systems, monitor progress against the Action Plan and review the Corporate Risk Register.

#### **4. TIMING OF MEETINGS**

The Chair notified the Committee of the need to agree a suitable start time for the 2011/12 Municipal Year.

##### **RESOLVED:**

**That future Audit Committee meetings commence at 5:00pm.**

##### **REASONS FOR DECISIONS:**

To accommodate Councillors with work commitments.

#### **5. AUDIT COMMITTEE REPORT A/11/1 – WORK PROGRAMME 2011/2012**

The Executive Director presented the report, outlining the constitutional requirements for the Work Programme.

James Ingham, Head of North Yorkshire Audit Partnership, was introduced to the Committee who explained the role of the Audit Partnership across North Yorkshire District Councils.

He informed the Committee that during the course of the year they would receive final Internal Audit reports completed by the Partnership to scrutinise and asked councillors to respect the confidentiality of the reports. He outlined that the single most important matter for the Committee would be the approval of the Statement of Accounts.

Other aspects to consider would be the Regulation 6 review, reports from External Auditors and fraud issues such as Counter Fraud measures and Housing Benefit Fraud.

He informed the Committee that the Regulation 6 Review would come in April 2012 and would need to be added to the Work Programme.

The Committee were informed that the current Audit Partnership arrangements run until March 2012 when plans to merge with Veritau would be considered.

The Chair asked the Committee if they wished to consider other issues to add to the Work Programme. Councillors felt that Access Selby should be a priority.

The Committee asked that a special meeting be held in September to include training, matters relating to the Regulation 6 review and to review risk registers for the Core and Access Selby.

**RESOLVED:**

**To receive and note the report and to add the Reg 6 review to the work programme in April 2012**

**REASONS FOR DECISIONS:**

The Committee ensures the contribution of Audit is effective and in supporting service improvement and delivery against district wide and Council priorities.

**6. AUDIT COMMITTEE REPORT A/11/2 – INTERNAL AUDIT ANNUAL REPORT 2010/11**

The report was presented by James Ingham, Head of North Yorkshire Audit Partnership.

The Chair informed the Committee that there were two outstanding minor compliance issues from Internal Audit Reports for Human Resources and Land Charges included in the Annual Report. Jackie Humphries, Human Resource Officer, reported that the issues had been resolved and the report had now been signed off by the Audit Partnership.

The Head of the Partnership then introduced the Annual Report as a summary of the work done by the Partnership and an assurance that what had been audited was working well.

There had been a 5% reduction in the time taken to conduct the audits in line with ongoing improvements. He felt that the controls and processes in place were sound and felt it was a good report.

Councillors discussed the new structure and roles of the Core and Access Selby in future plans and whether there would be two reports in future and

whether the Audit Partnership would look at the relationship between the two.

Councillor J Cattnach thanked the Partnership for its work over the year.

**RESOLVED:**

**To receive and note the report.**

REASONS FOR DECISIONS

That the overall opinion of the Audit Partnership of the internal control environment in Selby District Council in 2010/11 is satisfactory.

**7. AUDIT REPORT A/11/3 – INTERNAL AUDIT PLAN 2011/12**

The report was presented by the Head of the Partnership. He referred to the Plan's Appendix identifying the areas to be audited in the next three years and highlighted the reduction in time taken to conduct the audits.

He identified earlier concerns and the requirement in the Plan to look at all parts of the Council, including the Core and Access Selby.

Councillor R Packham was concerned and questioned that, as Access Selby had its own Board, whether it would have its own audit provision. The Executive Director advised that as Access Selby was part of Selby District Council, it would be scrutinised by the Audit Committee.

The Chair considered the ongoing reduction in audit time and whether the time allocated for 2013/14 could go any lower and what savings would be gained in the 25 day reduction. The Head of Partnership felt it unlikely and that 25 days equated to around £6k.

**RESOLVED:**

**To receive and note the report.**

REASONS FOR DECISION

To have in place and appropriate plan within the limitations of the budget for Internal Audit.

**8. RISK MANAGEMENT TRAINING**

The Head of the North Yorkshire Audit Partnership gave a short training session on Risk Management.

## **9. AUDIT COMMITTEE REPORT A/11/4 – RISK MANAGEMENT ANNUAL REPORT**

The Executive Director presented the report to update councillors on Risk Management developments.

The Committee were informed that, Covalent, a new electronic performance management system, had been installed into which all the Council's risk registers have been stored. Selby District Council had a good track record risk management and this new system would aid this significantly.

The Chair, in supporting the report, stressed it was important that the Committee continued to monitor risks.

The Chair felt that with the new Council structure and the current financial position there was now greater risk to service delivery and the Committee is an important in achieving sound service delivery for our public.

### **RESOLVED:**

**To receive and note the report.**

### REASONS FOR DECISION

To ensure continuing proactive risk management around the Council under the new 'working together' regime.

The meeting closed at 5:17pm



## **Public Session**

**Report Reference Number A/11/5**

**Agenda Item No: 5**

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**To: Audit Committee**  
**Date: 28 September 2011**  
**Author: Nicola Chick, Lead Officer – Finance**  
**Lead Officer: Karen Iveson, Executive Director s151**

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**Title: Statement of Accounts 2010-11**

### **Summary:**

The purpose of this report is to enable Councillors to undertake an examination of the Council's financial accounts for the financial year 2010-11 and seek approval of them.

### **Recommendations:**

- i. Councillors approve the 2010-11 Statement of Accounts**

### **Reasons for recommendation**

**It is a statutory requirement under the Accounts and Audit Regulations 2011 that Councillors approve the Council's audited accounts by 30 September.**

#### **1. Introduction and background**

- 1.1 The Accounts and Audit Regulations 2011 require Members to approve the Council's audited statutory accounts by 30 September following the financial year end.
- 1.2 This is a change from the previous Accounts and Audit Regulations 2003 (amended) which required Members to approve a draft Statement of Accounts by 30 June and the final audited Statement of Accounts be the end of September



- 1.3 With effect from 1 April 2011 the draft Statement of Accounts submitted to the auditor only need to be signed by the Council's Chief Financial Officer (Executive Director s151) by 30 June.
- 1.4 The 2010-11 accounts have been produced under the requirements of International Financial Reporting Standards (IFRS) basis. This is a major change for the production of the accounts and has arisen to make the national accounts (the public sector) of the UK compatible with most other countries and companies globally.

## **2. The Report**

- 2.1 The Statement of Accounts represents the culmination of the formal financial reporting obligation placed upon the Council and the content of the Accounts as presented is largely prescribed by statutory and professional guidance.
- 2.2 The audited Council's Statement of Accounts for 2010-11 is attached for approval at Appendix A. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2010/11: Based on International Financial Reporting Standards (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 2.3 It is important that the Council has sound financial, governance and resources management arrangements in place to ensure that resources are available and used to support the Council's priorities, improve services and secure value for money for our citizens.
- 2.4 Specifically in respect of financial statements members are expected to "exercise collective responsibility for, and prioritise, financial reporting and demonstrate robust challenge and scrutiny".
- 2.5 To assist councillors in this regard, an explanatory paper is attached at Appendix B. The Statement of Accounts also contains an explanatory foreword, which highlights the key issues arising from the financial year 2010-11, and considers these in the context of the council's future financial prospects. Councillors are asked to consider the Statement of Accounts in detail along with the supporting notes, and either raise issues with the Executive Director s151 prior to the meeting so that a response can be prepared or discuss any such matters as necessary and appropriate at the meeting of the Committee.
- 2.6 The production of the Statement of Accounts on the IFRS basis has required the restatement of the 2008/09 and 2009/10 Balance Sheets and the 2009/10 Income and Expenditure Account.
- 2.7 The accounts were made available for public inspection from 18 July

until 12 August and the auditor was available on 15 August to answer queries regarding the accounts. No queries were received.

### **3. Legal/Financial Controls and other Policy matters**

#### **3.1 Legal Issues**

None as a consequence of this report.

#### **3.2 Financial Issues**

The financial implications are as given in the report

### **4. Conclusion**

- 4.1 Production of the Annual Statement of Accounts is a statutory requirement. The Statement of Accounts is the financial expression of the Council's overall worth and financial standing.

### **5. Background Documents**

- 5.1 2010-11 closedown working papers.

#### ***Contact Officer:***

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#### **Appendices:**

Appendix A: 2010-11 Statement of Accounts  
Appendix B: Explanatory Paper to the Accounts

# **SELBY DISTRICT COUNCIL**



## **STATEMENT OF ACCOUNTS 2010/2011**

**SELBY DISTRICT COUNCIL**

**STATEMENT OF ACCOUNTS**

**2010/11**

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Copies of this and previous years accounts are available for viewing, along with other information about the Council's services on the Authority's website at [www.selby.gov.uk](http://www.selby.gov.uk) or from Selby District Council, Civic Centre, Portholme Road, Selby North Yorkshire, YO8 4SB. Selby District Council will on request, provide this document in Braille, **large print** or audio format. If English is not your first language and you would like a translation of this document in an alternative language please telephone - 01757 705101.

## **LEADER'S FOREWORD**

The Statement of Accounts for 2010/11 sets out the full financial details of the Council's activities. The accounts have been produced promptly in line with target dates set for the 'Whole of Government Accounts' initiative.

The Council is committed to continuing its progress with delivering services within the scope of its mission - 'To Improve the Quality of Life for Those who Live and Work in the District' and together with annual priorities we continue to concentrate on the following seven strategic themes:-

- Putting Customers First
- Protecting the Environment
- Healthier Communities
- Promoting Prosperity
- Making Better Use of Resources
- Community Safety
- Organising to Deliver

2010/11 has been another challenging year for the Council - the Coalition Government's emergency budget and the anticipated austerity measures that followed, started to take effect as we have continued to plan for what will be tough financial times ahead.

Our sound financial management means we are in good shape to weather the 'perfect financial storm' but the expected reductions in central government funding will bite hard over the coming years and we have strengthened our commitment to savings and efficiencies during the last 12 months.

During 2010/11 we pressed on with work on the Selby Community Project in partnership with NHS York and North Yorkshire (the new community hospital and civic centre on the site of the War Memorial Hospital on Doncaster Road, Selby); we delivered our 'Decent Homes+' standard; rolled out Community Engagement Forums to the western and central areas of the district and saw a major refurbishment of our leisure centre in Selby, as part of our contract for leisure services.

Whilst the future is uncertain we will be steadfast in our aim to deliver and facilitate the services our communities need. We have started to plan for a new service delivery model - one which sees an innovative approach to local government, with commissioning and democratic support being retained in a small support core; responsibility for services transferred to a dedicated service delivery arm "Access Selby"; and support for the voluntary sector being provided through a small "Communities Selby" team. Together will continue to strive to improve the quality of life for those who live and work in the district.

Councillor Mark Crane

Leader of the Council

## **EXPLANATORY FOREWORD**

### **1. Introduction**

The purpose of this foreword is to provide an easily understandable guide to the most significant matters reported in the accounts, and an explanation in overall terms of the Authority's financial position. The foreword also includes an explanation of the purpose of each statement and the inter-relationship between statements.

### **2. The Council's Accounts**

The accounts have been compiled using the "Code of Practice on Local Authority Accounting in the UK 2010/11: Based on International Financial Reporting Standards (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The accounts contain the following statements for the year 1 April 2010 to 31 March 2011:

**Statement of Accounting Policies** - This explains the basis of the figures in the accounts and the principles on which the Statement of Accounts has been prepared. The accounts can only be properly appreciated if the policies, which have been followed, are explained.

**Statement of Responsibilities for the Statement of Accounts** - This statement sets out the respective responsibilities of the Council and the Executive Director (s151) for the accounts.

**Movement in Reserves Statement** - This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be utilised to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income & Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

**Comprehensive Income & Expenditure Statement** - This statement shows the accounting cost in the year of providing services for which the Council is responsible in accordance with generally accepted accounting practices, rather than the amount to be funded from income from local taxpayers (taxation). The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

**Balance Sheet** - This is fundamental to the understanding of the Council's year-end financial position. It shows the balances and reserves at the Council's disposal, its long-term indebtedness, long term liabilities, net current assets employed in its operation and summarised information on the fixed assets held. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.'

**Cash Flow Statement** - This summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is classified between 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 recipients of services provided by the Council. Investing activities identify 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 borrowing to the Council.

## EXPLANATORY FOREWORD

### 2. The Council's Accounts continued....

**Housing Revenue Account (HRA) Income and Expenditure Statement** - This reflects a statutory obligation to account separately for the local authority housing function, it is ringfenced from the General Fund so that rents cannot be subsidised from council tax or vice versa. It shows the major elements of housing revenue expenditure - maintenance, administration, rent rebates and capital financing - and how rents, subsidy and other income meet these. The Council charges rents in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement

**Movement on the Housing Revenue Account (HRA) Statement** - This shows how the HRA Income and Expenditure Statement surplus or deficit for the year reconciles to the movement on the Housing Revenue Account balance for the year. The overall objectives and the general principles for its construction are the same as those generally for the Movement in Reserves Statement.

**Collection Fund Statement** - This is an agents statement and shows the transactions of the Council as a billing authority in relation to Non-Domestic Rates and the Council Tax collections, and illustrates the way in which these have been distributed to precepting bodies such as North Yorkshire County Council, and the General Fund. The Council has a statutory obligation to maintain a separate Collection Fund.

**Annual Governance Statement** - This statement sets out the internal control framework operated by the Council during 2010/11 and presents a review of the effectiveness of the system as required by the CIPFA/SOLACE Framework issued in 2007.

### 3. Revenue Spending in 2010/11

Revenue expenditure for 2010/11 is summarised in the Comprehensive Income and Expenditure Statement. This shows the costs of all the Council's services and how the net expenditure has been funded.

The following charts show where the Council's money comes from, what it is spent on and the cost of the services it provides.

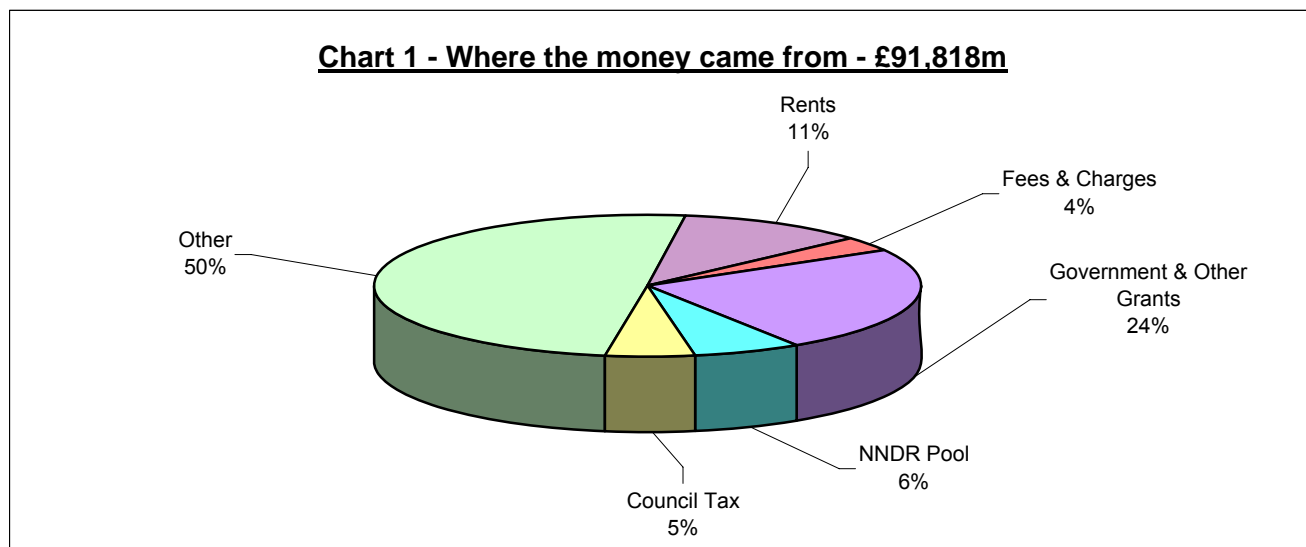


Chart 1 shows that around 24% (£22.251m) of the Council's income comes from Government and other grants (such as Revenue Support Grant). An additional 6% (£5.902m) comes from the Government as redistributed business rates through the NNDR Pool. 4% (£3.119m) comes from fees and charges, Council Tax provides 5% (4.715m) and Rents provide 11% (£10.258m of which £9.875m is housing rents). Other income 50% (£45.573m) is unusually high because of appropriations from reserves, for the impairment (reduction in value) of council dwellings because of changes in the method of valuation.

## EXPLANATORY FOREWORD

### 3. Revenue Spending in 2010/11 continued....

**Chart 2 - What the money is spent on - £91,818m**

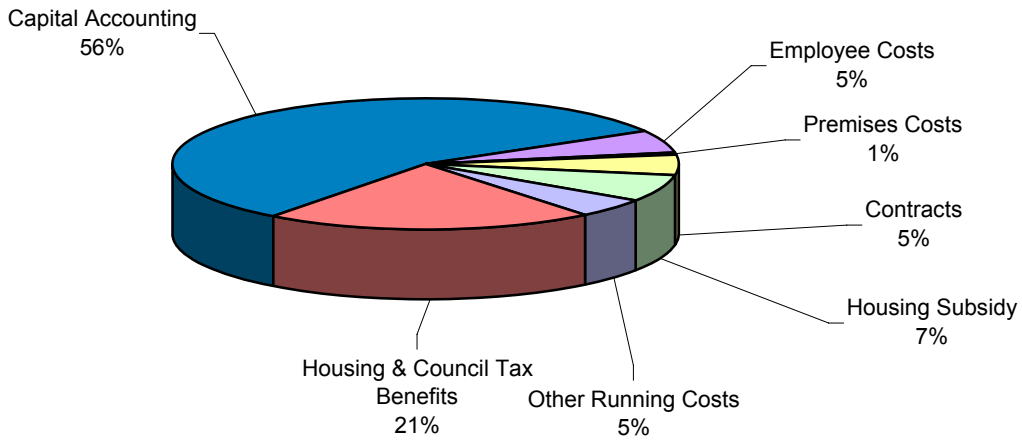


Chart 2 above shows that a large proportion of the Council's money is spent on Housing and Council Tax Benefit payments 21% (£19.449m), and the largest proportion being capital accounting charges (including depreciation, impairments and capital expenditure funded from revenue under statute ) 56% (£51.681m) in particular the impairment of council dwellings from the annual valuation. Other running costs, which include the costs of concessionary fares, and payments for the housing Private Finance Initiative scheme accounted for 5% (£4.344m). 7% (£6.042m) is paid to the Government for housing subsidy as part of the national Housing Revenue Account, 5% (£5.041m) is employee costs, with contracts for recycling, refuse collection, street cleansing, and leisure accounting for 5% (£4.776m). The remaining 1% (£0.485m) is spent on premises costs, which includes payments for rates, insurance, heating, lighting and repairs.

**Chart 3 - The services provided - £91,818m**

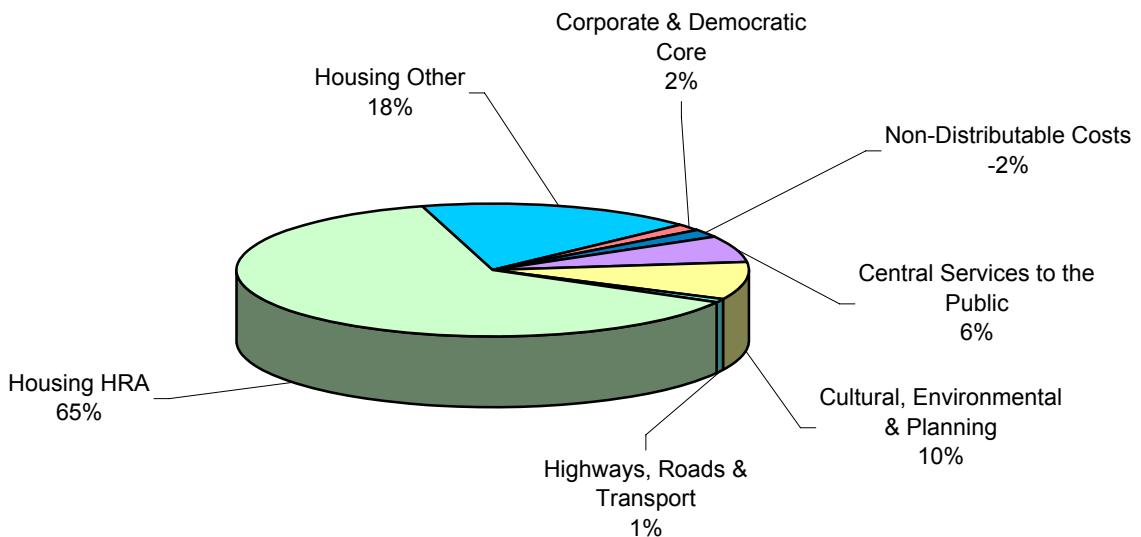


Chart 3 shows the gross cost of the services provided by the Council. Housing Services (HRA) account for the biggest portion of expenditure (65% - £59.784m) due to the impairment of council dwellings. Also as shown in Chart 2, a large portion (18% - £16.769m) is spent on Housing Services (non HRA) which includes housing benefit payments. Non-distributable costs are -2% due to an adjustment in respect of the pension fund inflation index from RPI to CPI for valuing the liabilities and this has the effect of a refund.



## EXPLANATORY FOREWORD

### Financial Performance in 2010/11 Compared to Agreed Budget

#### Explanation of variances against budget continued....

The table below provides a summary of the Council's Comprehensive Income and Expenditure Statement for 2010/11 (General Fund Revenue Account and Housing Revenue Account). The outturn position required the transfer of (£15k) to General Fund Balances for 2010/11 in accordance with the latest approved budget for 2010/11.

	Latest Approved Budget £'000	Actual £'000	Difference £'000
Net Cost of Services	11,164	56,156	44,992
Parishes Precepts	1,365	1,365	
Internal Drainage Board Levies	1,432	1,432	-
Deficit on Trading Undertakings	-	-	-
Interest Payable and Similar Charges	856	866	10
Investment Interest	(288)	(348)	(60)
Non Cash Adjustments included in Net Cost of Services	306	2,971	2,665
<b>Net Operating Expenditure</b>	<b>14,835</b>	<b>62,442</b>	<b>47,607</b>
Revenue Support Grant	(857)	(857)	-
Non Service Related Government Grants	(104)	(96)	8
Business Rates	(5,902)	(5,902)	-
Council Precept	(6,139)	(6,139)	-
Collection Fund Surplus			-
<b>Net General Fund (surplus) / deficit</b>	<b>1,833</b>	<b>49,448</b>	<b>47,615</b>
Capital Expenditure financed from revenue	2,677	1,492	(1,185)
Other Non Cash Adjustments	(1,192)	(49,247)	(48,055)
Transfers to / (from) Reserves	(3,333)	(1,708)	1,625
<b>Transfers (to) / from GF Balances</b>	<b>(15)</b>	<b>(15)</b>	<b>-</b>

The table shows an increase in the net cost of services of £44.992m, however, this includes £48.815m of impairment on Council assets due to downward valuations on some of its properties reflecting the current market situation and wear and tear on Council Dwellings. In addition the Social Value Index used by the valuer for the desktop review of council houses fell from 47% to 31%. The Council does a valuation analysis of its assets each year to take account of market influences. These impairments are accounting adjustments and have no impact on the Councils cash budgets and they are reversed out of the accounts within the other non cash adjustments line. The table on page 7 looks at the major cash variances and gives a brief explanation as to why they have occurred.

## EXPLANATORY FOREWORD

### 3. Revenue Spending in 2010/11 continued....

#### Explanation of variances against budget continued....

The net cost of services saving for the General Fund totalled £84k. This enabled the Council to transfer £15k to General Fund Balances and £71k to the Spend to Save Reserve.

The Housing Revenue Account (HRA) was expecting to make a deficit of £1.204m due to funding of the capital programme, the actual deficit transferred from HRA Balances was £888k giving a variance saving of £316k.

The main variances are shown in the tables below demonstrate as part of its prudent financial management, that councillors and officers continually review budgets to achieve efficiency savings.

Within both the General Fund and HRA a number of projects and financial commitments were not completed by 31 March 2011 and financial resources are being carried forward to 2011/12 to complete these projects. The total value of revenue carry forwards is £957k (£49k Housing Revenue Account, £909k General Fund).

<b>General Fund</b>		
	Variance £'000	Reason for Variance
Local Taxation Collection	23	Shortfall in Court Cost income offset by general admin and Land Registry fee savings.
Recycling	(85)	Additional income has been raised through increased recycling levels and a buoyant market for the sale of recyclates.
Housing Benefit Admin	(60)	Additional benefit admin and subsidy grant has been received along with admin cost savings.
Development Policy	(47)	Savings have been made against Development Policy consultancy and office expenses. There has also been a saving against the Village Design Statement.
Video Cameras	24	Monitoring work for the Flaxley Road Scheme had not been charged in previous years.
Licensing	(20)	An overachievement of income across the various licenses.
Community Parks & Open Spaces	23	Shortfall in S106 contributions and the reversal of a grass cutting charge.
Sports & Recreation	(42)	Savings generated on the insurance charges to leisure centres and the leisure card budget not being required.
Household & Trade Refuse Collection	35	Combination of issues, including shortfall of commercial waste and bulky waste income, and costs for bulky collection and media.
Minor Variances	65	This is the total of other budget variances which makes up the total variance on the General Fund
Total	(84)	

## EXPLANATORY FOREWORD

### 3. Revenue Spending in 2010/11 continued....

#### Explanation of variances against budget continued....

<b>Housing Revenue Account</b>		
	Variance £'000	Reason for Variance
Staff vacancies & training	(55)	A number of vacancies across housing services has lead to these savings.
Direct Works	12	Numerous variances, including void dwellings and subcontractors.
Housing Management	(28)	Savings on computer software / hardware along with maintenance contracts.
Footpaths	13	Extreme winter conditions lead to an increase in the repairs required.
Solid Fuel Servicing	20	Costs incurred in order to meet health and safety requirements
Hostel Rents	20	Units not filled due to proactive homeless prevention work.
Supporting People Income	29	The Grant allocation has been reduced for Homelessness and Warden Services.
Rent	(176)	Rent exceeded budget, bad debt provision to offset this was far lower than anticipated.
Investment Income	(17)	Income exceeded expectation and the HRA share is based on balances.
HRA Share of Support Services	(166)	Savings generated across the whole council have had an impact on the level of charges to be levied to the HRA.
Community Centre & Sheltered Housing building repairs	22	Costs in particular around the Legionella Programme and ad-hoc repairs.
Hostel Building Repairs	10	Costs in particular around the Legionella Programme ad-hoc repairs and fire control panel maintenance.
<b>Total</b>	<b>(316)</b>	

Investment income was originally budgeted at £316k (£271k General Fund and £45k HRA) due to the interest rates remaining at 0.5% and the impact of the economic climate reducing the cash balances the Council had available for investment. The outturn at the end of the year is marginally higher than predicted at £330k due to improved cash flows. The impact of the base rate remaining at 0.5% for longer than expected will have an effect in 2011/12. This has been taken in to account in the Councils budgets going forward.

## EXPLANATORY FOREWORD

### 3. Revenue Spending in 2010/11 continued....

Non cash adjustments included in net cost of services are accounting adjustments made to the accounts that do not impact on the Council Tax or Rent Payer. This variance is made up of the reversal of impairment charges, asset depreciation, capital accounting adjustments and IAS19 pension adjustments.

The variance on the capital expenditure financed from revenue is due to slippage on projects which are expected to be completed in 2011/12.

The transfer (to) / from reserves has seen an overall transfer reduction in the transfer from reserves. Transfers to reserves exceeding those originally anticipated were adjustments for carry forward budget requests (projects not fully committed, but funding still required to complete the project in the new year) totalling £2.231m (£1.157 HRA, £1.074m General Fund) and reduced amounts transferred from reserves including the Major Repairs Reserve £100k and a reduced HRA deficit £316k. Offsetting this were transfers from reserves for the General Fund totalling £937k including PFI £333k and Planning Delivery Grant Reserve £633k.

The detailed Core Financial Statements and accompanying notes are shown on pages 16 to 104.

### 4. Capital Expenditure

In 2010/11 the Council spent £8.490m (2009/10 £9.333m) on its capital programme (£5.502m General Fund and £2.988m Housing Revenue Account). An analysis of where the money was spent and the sources of funding are shown in the following two tables:-

Capital Programme Analysis	Actual £'000	Proportion %
Council Dwelling Improvements	2,974	35.0%
Equipment & Vehicles, including Intangible Assets	253	3.0%
Other Land and Buildings, including Community Assets	4,569	53.8%
Home Improvement Grants and Loans and Disabled Facilities Grants	606	7.1%
Other Grants Expenditure Funded from Capital	88	1.0%
<b>Total</b>	<b>8,490</b>	<b>100%</b>

Where the money came from	Actual £'000	Proportion %
Government Supported Borrowing	220	2.6%
Prudential Borrowing	3,416	40.2%
Capital Receipts	2,063	24.3%
Major Repairs Reserve	816	9.6%
Grants and Contributions	473	5.6%
Revenue and Reserves	1,502	17.7%
<b>Total</b>	<b>8,490</b>	<b>100%</b>

#### Explanation of variances against budget

The Council expected to spend £11.101m on its capital programme, £7.055m on General Fund and £4.046m on its Housing Investment. However slippage and changes to the timing of projects,

#### **4. Capital Expenditure continued....**

including building refurbishments, road adoption works, grants to outside organisations, implementation of IT systems and council housing improvements has resulted in an underspend of £1.553k on the General Fund and £1.058m on the Housing Revenue Account. Work on these projects will be completed in 2011/12 or later.

In addition the Council is acting as host for payments on behalf of the York and North Yorkshire PCT element of the Community Project (New Hospital) to the contractor. In 2010/11 £9.272m has been paid on behalf of the PCT and this amount has been claimed from them and reimbursed.

During 2010/11 the Council completed its Decent Homes Programme by the autumn which was ahead of the December 2010 government deadline.

In 2010/11 the Council had available £220k of supported borrowing for the Housing Investment capital programme and also used £816k of prudential borrowing. The General Fund capital programme utilised £2.6m of prudential borrowing.

#### **5. Borrowing Facilities and Capital Borrowing**

The Council's ability to borrow is governed by the Local Government Act 2003 and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is able to determine its own programmes for capital investment in fixed assets that will assist in the delivery of its services to the citizens of the Selby District, subject to that programme being affordable, prudent and sustainable.

The Council utilised Prudential borrowing of £3.416m during 2010/11. £2.6m General Fund for part of the new Civic Centre costs associated with the Selby Community Project and £816k Housing Revenue Account.

#### **6. Review of the Council's Current Financial Position**

At the 1 April 2010 the Council's unallocated revenue reserves stood at £5.379m (£2.820m GF and £2.559m HRA). The Movement on the Housing Revenue Account Statement on page 93 shows that a contribution of £888k was made from the HRA unallocated reserve instead of the expected amount of £1.204m from the reserve. The explanation of variances against budget on page 7 shows that the actual contribution to the General Fund unallocated reserves was £15k against the latest approved budget contribution to reserves of £15k.

Taking into account the net variances summarised, at 31 March 2011 the Council's unallocated revenue reserves stood at £4.506m (£2.835m GF and £1.671m HRA). As part of the budget package for 2010/11 the Council initially approved the transfer of £44k to these unallocated reserves to support the budget, during the year, the net effect reduced this to £15k.

The Balance Sheet on pages 20 and 21 show that the net worth of the Council reduced by £50.9m, the majority of which is due to the annual revaluation of Council Dwellings which took place in 2010/11 £50.737m as part of Property, Plant and Equipment, reduced Long Term Investments £2.008m, Short Term Investments & Loans £2.792m and increased Short term Borrowing £1.146m offset by the change in the liability related to the North Yorkshire Pension scheme (£6.253m). The Council's policy on the revaluation of assets can be found in section xxvi of the Statement of Accounting Policies.

In 2010/11 the Council received capital receipts of £17k from repayment of Right to Buy Discounts and £212k from the sale of council houses and land. The Council also received £230k from the sale of general fund property and £10k from other capital cash receipts. After the deduction of allowable costs and the payment to the Government pool, receipts of £2,063k were applied to fund capital expenditure in 2010/11.

## 7. Changes in Accounting Practices & Policies

This set of Accounts is the Council's first set prepared under International Financial Reporting Standards (IFRS), having previously been prepared under the Code of Practice on Local Authority Accounting in the United Kingdom - A Statement of Recommended Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The date of Transition to IFRS was 1st April 2009 and therefore the 2009/10 figures have been restated in accordance with the new standards. The IFRS requires that accounting policies are applied retrospectively. The impact on the 2009/10 statements is shown in Note 65 pages 88 to 92.

The significant changes in accounting policies introduced by the Code to deliver IFRS compliant statements are summarised below:

- Accounting for non current assets: The code introduced a distinction between accounting for impairment losses, and a change in the accounting for reversal of valuation decreases. Component accounting for significant elements of an asset is given greater emphasis. Residual values of assets are assessed at each balance sheet date.
- Accounting for assets held for sale: The Code requires authorities to account for assets held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations as adapted to fit the public sector. The policy for recognising assets held for sale is set out at accounting policy xxvi.
- Accounting for grants and contributions: Grants relating to capital and revenue expenditure are all now credited to the Comprehensive Income and Expenditure Statement once all conditions of the grant have been satisfied.
- Accounting for leases: The Code specifies the accounting treatment for arrangements that have the effect of containing a lease. The policy for leases is set out in accounting policy xxi.

The comparative figures used in this set of accounts for 2009/10 have been changed from those reported in the Statement of Accounts for 2009/10 in accordance with these policies. The changes made to the 2009/10 comparative information is identified by use of the term 'restated' and an explanation has been added to the accounts where appropriate.

Accounting policies are defined by the Code of Practice as "the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statement". The starting premise is that accounting policies prescribed by the Code should be followed, but need not be applied if the effect of applying them is not material. The accounting policies of the Council have been reviewed for compliance with IFRS and amended as required.

Changes in accounting policies are only permitted if the change is required by the Code or where the change results in the financial statements providing more reliable and relevant information. A change in circumstances or adoption of policies for "new" transactions, events or conditions that did not occur or were not material previously are not classed as changes in accounting policies.

## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **The District Council's responsibilities**

The authority is required to:-

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In this authority, that officer is the Executive Director (s151).
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the statement of accounts.

### **The Executive Director's responsibilities**

The Executive Director (s151) is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom (the Code)*.

In preparing this statement of accounts the Executive Director (s151) 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 Executive Director (s151) has also:-

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

### **Certification of the Accounts**

I hereby certify that the Statement of Accounts on pages 16 - 104 present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2011.

**Karen Iveson**  
**CPFA**  
**Executive Director (s151)**

**Dated 28 September 2011**

### **Approval of the Accounts**

This Statement of Accounts was approved by a resolution of the Audit Committee of Selby District Council on 28 September 2011.

**Councillor E Casling**  
**Chair of Audit Committee**

**Dated 28 September 2011**

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**MOVEMENT IN RESERVES STATEMENT 2009/10**

	General Fund Balance £000	Earmarked GF Reserves £000	Housing Revenue Account £000	Major Repair Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2009</b>	(2,787)	(7,991)	(2,589)	(882)	(2,866)	(257)	(17,372)	(1,377,769)	(155,141)
<b>Movement in reserves during 2009/10</b>									
<b>(Surplus) or deficit on provision of services</b>	1,645		4,189	0	0	0	5,834	0	5,834
<b>Other Comprehensive Expenditure and Income</b>									
Revaluation gains									
Impairment losses (chargeable to revaluation reserve)								(12,037)	
Generally movement in Available for Sale FI's								1,967	
Movement in the pensions reserve								1	
								3,461	
<b>Total Comprehensive Expenditure and Income</b>	<b>1,645</b>	<b>0</b>	<b>4,189</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,834</b>	<b>(6,608)</b>	<b>5,834</b>
Adjustments between accounting basis & funding basis under regulations	(1,657)	0	(3,659)	882	801	35	(3,598)	3,598	0
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>									
Depreciation/amortisation (excl HRA depn)	(853)						(853)	853	0
HRA Depreciation/amortisation			(47)				(47)	47	0
The difference of depreciation charged to HRA services over the MRA element of housing subsidy			(1,781)				(1,781)	1,781	0
Impairment/revaluation losses (charged to I&E)	(742)		(6,005)				(6,747)	6,747	0
Capital grant and contributions applied	276		0			35	311	(311)	0
Revenue Expenditure Funded from Capital under Statute	(228)						(228)	228	0
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(369)		(47)				(416)	416	0
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	133		76		(236)		(27)	27	0
Use of capital receipts reserve to finance capital expenditure					963		963	(963)	0
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,373)		(848)				(2,221)	2,221	0
Differences between statutory debits/credits and amounts recognised as income and expenditure in relation to financial instruments	(4)		(8)				(12)	12	0
Amount by which council tax income adjustment included in the CIES is different from the amount taken to the General Fund in accordance with regulation	109						109	(109)	0
<b>Items not debited or credited to the Comprehensive Income and Expenditure Statement</b>									
Statutory Provision for the repayment of debt - (Minimum revenue provision )	107						107	(107)	0
Statutory Repayment of Debt (Finance Lease Liabilities)	182						182	(182)	0
Contribution to disposal costs of capital sales	(83)		(1)		1		0	0	0
HRA capital receipts to housing central pool (England and Wales)	359		1,308		83		1,667	(1,667)	0
Revenue contributions to finance capital	770		528				1,298	(1,298)	0
Employers contributions to pension schemes			3,166				0	0	0
Reversal of Major Repairs Allowance credited to the HRA				(3,166)			0	(4,048)	0
Use of the Major Repairs Reserve to finance new capital expenditure				4,048			4,048	(4,048)	0
<b>Other adjustments</b>									
Soft Loans	59				(10)		49	(49)	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(12)</b>	<b>0</b>	<b>530</b>	<b>882</b>	<b>801</b>	<b>35</b>	<b>2,236</b>	<b>(3,010)</b>	<b>(774)</b>
<b>Transfers to/from Earmarked Reserves</b>									
Earmarked reserve	(21)	521	(500)	0	0	0	0	0	0
<b>Increase/Decrease (movement) in Year</b>	<b>(33)</b>	<b>521</b>	<b>30</b>	<b>882</b>	<b>801</b>	<b>35</b>	<b>2,236</b>	<b>(3,010)</b>	<b>(774)</b>
<b>Balance at 31 March 2010 carried forward</b>	<b>(2,820)</b>	<b>(7,470)</b>	<b>(2,559)</b>	<b>0</b>	<b>(2,065)</b>	<b>(222)</b>	<b>(15,136)</b>	<b>(140,779)</b>	<b>(155,915)</b>

**MOVEMENT IN RESERVES STATEMENT 2010/11**

	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Major Repair Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2010</b>	<b>(2,820)</b>	<b>(7,470)</b>	<b>(2,559)</b>	<b>0</b>	<b>(2,065)</b>	<b>(222)</b>	<b>(15,136)</b>	<b>(140,779)</b>	<b>(155,915)</b>
<b>Movement in reserves during 2010/11</b>									
<b>(Surplus) or deficit on provision of services</b> (HRA figure will feed from HRA Statement)	(933)	0	48,472	0	0	0	47,539	0	47,539
<b>Other Comprehensive Expenditure and Income</b>	0	0	0	0	0	0	0	0	0
Revaluation gains									
Revaluation losses (chargeable to revaluation reserve)								(278)	(278)
Impairment losses (chargeable to revaluation reserve)								0	0
Generally movement in Available for Sale FI's								7,864	7,864
Movement in the pensions reserve								0	0
								(4,225)	(4,225)
<b>Total Comprehensive Expenditure and Income</b>	<b>(933)</b>	<b>0</b>	<b>48,472</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>47,539</b>	<b>3,361</b>	<b>50,900</b>
Adjustments between accounting basis & funding basis under regulations	1,054	0	(48,115)	0	1,971	(6)	(45,096)	45,096	0
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>									
Depreciation/amortisation (excl HRA depn)	(979)		(43)				(1,022)	1,022	0
The difference of depreciation charged to HRA services over the MRA element of housing subsidy			(1,182)	(816)			(1,998)	1,998	0
Impairment/revaluation losses (charged to I&E)	(333)		(48,674)				(49,007)	49,007	0
Capital grant and contributions applied	7		50				57	(57)	0
Donated assets fair value less consideration							0	0	0
Revenue Expenditure Funded from Capital under Statute	(238)						(238)	238	0
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(3)						(3)	3	0
Capital grant and contributions unapplied credited to I&E	7					(6)	1	(1)	0
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	35		196		(237)		(6)	6	0
Use of capital receipts reserve to finance capital expenditure					2,063		2,063	(2,063)	0
Reversal of items relating to retirement benefits debited or credited to the CIES	530		168				698	(698)	0
Differences between statutory debits/credits and amounts recognised as income and expenditure in relation to financial instruments e.g. Soft loans	(3)		(8)				(11)	11	0
Amount by which council tax income adjustment included in the CIES is different from the amount taken to the General Fund in accordance with regulation	59						59	(59)	0
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>									
Statutory Provision for the repayment of debt - (Minimum revenue provision)	99						99	(99)	0
Statutory Repayment of Debt (Finance Lease Liabilities)	459		16				475	(475)	0
Contribution to disposal costs of capital sales	(1)		(3)		4		0	0	0
HRA capital receipts to housing central pool	(155)				155		0	0	0
Revenue contribution to finance capital	380		1,085				1,465	(1,465)	0
Employers contributions to pension schemes	1,050		280				1,330	(1,330)	0
Reversal of Major Repairs Allowance credited to the HRA				816			816	(816)	0
Use of the Major Repairs Reserve to finance new capital expenditure									
<b>Other adjustments include</b>									
Soft Loans	140				(14)		126	(126)	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>121</b>	<b>0</b>	<b>357</b>	<b>0</b>	<b>1,971</b>	<b>(6)</b>	<b>2,443</b>	<b>48,457</b>	<b>50,900</b>
<b>Transfers to/from Earmarked Reserves</b>									
Earmarked reserve	(136)	(395)	531	0	0	0	0	0	0
<b>Increase/Decrease (movement) in Year</b>	<b>(15)</b>	<b>(395)</b>	<b>888</b>	<b>0</b>	<b>1,971</b>	<b>(6)</b>	<b>2,443</b>	<b>48,457</b>	<b>50,900</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>(2,835)</b>	<b>(7,865)</b>	<b>(1,671)</b>	<b>0</b>	<b>(94)</b>	<b>(228)</b>	<b>(12,693)</b>	<b>(92,322)</b>	<b>(105,015)</b>

## COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2009/2010 Restated Net Exp. £'000		2010/2011 Expenditure £'000	2010/2011 Income £'000	2010/2011 Net Exp. £'000	Notes
1,147	Central Services to the Public	6,089	5,202	887	4
6,708	Cultural, Environmental and Planning Services	8,817	2,451	6,366	5
470	Highways and Transport Services	899	514	385	6
3,859	Local Authority Housing (HRA)	10,956	11,414	(458)	7
-	Exceptional Costs EUV-SH Adjustment	48,828	-	48,828	7
655	Other Housing Services	16,769	15,961	808	8
1,336	Corporate and Democratic Core	1,440	95	1,345	9
334	Non Distributed Costs	264	25	239	10
-	Exceptional Costs - Pension Inflation Change	(2,244)	-	(2,244)	10
<b>14,509</b>	<b>Cost of Services</b>	<b>91,818</b>	<b>35,662</b>	<b>56,156</b>	
	<b>Other Operating Expenditure</b>				
1,308	Payments of Precepts to Parishes			1,365	
1,400	Levies payable (Drainage Boards)			1,432	
83	Contribution of Housing Capital Receipts to Government Pool			155	42 - 55
208	(Gain) / Loss on Disposal of Non Current Assets			(65)	42 - 55
	(Gain) / Loss on Disposal of Intangibles			(35)	42 - 55
	<b>Financing and Investment Income &amp; Expenditure</b>				
745	Interest Payable on Debt			866	12
5	Interest Element of Finance Leases			31	12
2,646	Pensions Interest Costs			2,881	58
(1,096)	Expected Return on Pensions Assets			(1,728)	58
(936)	Investment Interest Income			(348)	13
<b>18,872</b>	<b>Net Operating Expenditure</b>			<b>60,710</b>	
	<b>Taxation and Non-Specific Grant Income</b>				
(335)	Recognised Capital Grants and Contributions			(177)	15
(5,924)	Council Tax			(6,139)	14
(5,419)	Non-domestic Rates Redistribution			(5,902)	
(1,250)	Revenue Support Grant			(857)	
(110)	Non Service Related Government Grants			(96)	
<b>5,834</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>47,539</b>	

**COMPREHENSIVE INCOME & EXPENDITURE STATEMENT continued .....**

2009/2010 Restated Net Exp. £'000		2010/2011 Expenditure £'000	2010/2011 Income £'000	2010/2011 Net Exp. £'000	Notes
5,834	<b>(Surplus) or Deficit on Provision of Services B/Fwd</b>			<b>47,539</b>	
	<b>Surplus or Deficit on Revaluation of Non-Current Assets</b>				
(12,037)	Revaluation Gains			(278)	42 - 55
	Revaluation Losses (Chargeable to Revaluation Reserve)				
1,967	Impairment Losses (Chargeable to Revaluation Reserve)			7,864	42 - 55
1	<b>(Surplus) / Deficit on revaluation of available for sale financial assets</b>			-	42 - 55
3,461	<b>Actuarial (gains) / losses on pension fund assets and liabilities</b>			(4,225)	58
<b>(6,608)</b>				<b>3,361</b>	
<b>(774)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>50,900</b>	

## BALANCE SHEET

01-Apr-09 Restated £'000	31-Mar-10 Restated £'000		31-Mar-11		Notes
			£'000	£'000	
157,869	167,328	Property Plant & Equipment	116,591		25
304	265	Intangible Assets	206		24
9,425	2,023	Long Term Investments	15		33,34
134	191	Long Term Debtors	299		33,34
<b>167,732</b>	<b>169,807</b>	<b>Total Long Term Assets</b>	<b>117,111</b>		
18,863	20,977	Short Term Investments & Loans	18,185		33,34
56	28	Inventories and Work in Progress	20		36
4,052	7,369	Short Term Debtors	6,955		37
33	418	Cash and Cash Equivalents	300		61
<b>23,004</b>	<b>28,792</b>	<b>Current Assets</b>	<b>25,460</b>		
<b>190,736</b>	<b>198,599</b>	<b>Total Assets</b>		<b>142,571</b>	
		<b>Current Liabilities</b>			
(2,516)	(1,558)	Short Term Borrowing	(2,704)		33
(3,838)	(4,460)	Short Term Creditors	(4,013)		38
(157)	(109)	Provisions	(53)		40
(19)	(14)	Capital Grants Receipts In Advance	(46)		41
<b>(6,530)</b>	<b>(6,141)</b>	<b>Total Current Liabilities</b>	<b>(6,816)</b>		
(8,700)	(10,085)	Long Term borrowing	(10,081)		33
		Other Long Term Liabilities			
(20,365)	(24,749)	Defined Benefit Pension Scheme	(18,496)		58
-	(1,709)	Finance Leases	(2,163)		31
<b>(29,065)</b>	<b>(36,543)</b>	<b>Total Long Term Liabilities</b>	<b>(30,740)</b>		
<b>(35,595)</b>	<b>(42,684)</b>	<b>Total Liabilities</b>		<b>(37,556)</b>	
<b>155,141</b>	<b>155,915</b>	<b>Net Assets</b>		<b>105,015</b>	

## BALANCE SHEET

01-Apr-09 Restated £'000	31-Mar-10 Restated £'000		31-Mar-11 £'000	Notes
		<b>Usable Reserves</b>		42 - 55
2,787	2,820	General Fund	2,835	
7,991	7,470	Earmarked Reserves	7,865	
2,589	2,559	Housing Revenue Account	1,671	
882	-	Major Repairs Reserve	0	
2,866	2,065	Capital Receipts Reserve	94	
257	222	Capital Grants Unapplied	228	
		<b>Unusable Reserves</b>		42 - 55
		<b>Revaluation Balances</b>		
240	10,116	Revaluation Reserve	2,459	
(4)	(5)	Available-for-Sale Financial Instruments Reserve	(5)	
		<b>Adjustment Accounts</b>		
(20,365)	(24,749)	Pensions Reserve	(18,496)	58
157,888	155,337	Capital Adjustment Account	108,242	
53	26	Deferred Capital Receipts	20	
9	(3)	Financial Instruments Adjustment Account	(14)	
(52)	57	Collection Fund Adjustment Account	116	
<b>155,141</b>	<b>155,915</b>	<b>Total Reserves</b>	<b>105,015</b>	

Karen Iveson  
CPFA  
Executive Director (s151)

Dated 28 September 2011



## CASH FLOW STATEMENT

2009/2010 Restated £'000		2010/2011 £'000	2010/2011 £'000	Notes
	<b>Operating Activities</b>			
	<u>Cash Outflows</u>			
8,793	Employees	7,977		
24,819	Other operating cash payments	33,482		
7,823	Housing Benefit	9,056		
1,309	Precepts	1,365		
747	Interest Paid	852		
15	Payments to the Capital Receipts Pool	154		
<b>43,506</b>	<b>Cash Outflows from Operating Activities</b>		<b>52,886</b>	
	<u>Cash Inflows</u>			
(4,192)	Rents (after rebates)	(4,244)		
(5,412)	Council Tax	(5,569)		
(5,419)	Non-domestic rate pool	(5,902)		64
(1,251)	Revenue Support Grant	(857)		64
(18,035)	DWP grants for benefits	(18,823)		64
(2,420)	Other Government Grants	(1,280)		64
(1,214)	Interest received	(1,149)		
(12,165)	Goods and services	(22,524)		
<b>(50,108)</b>	<b>Cash Inflows from Operating Activities</b>		<b>(60,348)</b>	
<b>(6,602)</b>	<b>Net Cash Flow from Operating Activities</b>		<b>(7,462)</b>	
	<b>Investing Activities</b>			
	<u>Cash Outflows</u>			
7,075	Fixed assets	7,736		
59	Other capital cash payments	584		
	<u>Cash Inflows</u>			
(220)	Sale of fixed assets	(202)		
(3,347)	Capital grants received	(2,771)		64
(10)	Other capital cash receipts	(47)		
<b>3,557</b>	<b>Net Cash Flow from Investing Activities</b>		<b>5,300</b>	
<b>(3,045)</b>	<b>Net Cash Flow Before Financing c/fwd</b>		<b>(2,162)</b>	61

**CASH FLOW STATEMENT**

2009/2010 Restated £'000		2010/2011 £'000	2010/2011 £'000	Notes
<b>(3,045)</b>	<b>Net Cash Flow Before Financing b/fwd</b>		<b>(2,162)</b>	61
	<b>Management of Liquid Resources</b>			
2,013	Increase/(decrease) in short term investments	(2,015)		62
550	Increase/(decrease) in other liquid resources	4,807		
<b>2,563</b>	<b>Net Cash Flow from Liquid Resources</b>		<b>2,792</b>	
	<b>Financing</b>			
	<u>Cash Outflows</u>			
17,515	Repayments of amounts borrowed	6,013		
182	Repayments of Leases	475		
	<u>Cash Inflows</u>			
(2,600)	New loans raised	-		
(15,000)	New short term loans	(7,000)		
<b>97</b>	<b>Net Cash Flow from Financing</b>		<b>(512)</b>	
<b>(385)</b>	<b>Net (Increase) / Decrease in Cash</b>		<b>118</b>	61
<b>(33)</b>	<b>Cash and Cash equivalents at the beginning of the reporting period</b>		<b>(418)</b>	
<b>(418)</b>	<b>Cash and Cash equivalents at the end of the reporting period</b>		<b>(300)</b>	

## **STATEMENT OF ACCOUNTING POLICIES**

### **i. Preparation of the Accounts**

The Statement of Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom based on International Financial Reporting Standards (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Statement of Recommended Practice for the 2010/11 accounts and the Service Reporting Code of Practice for Local Authorities 2010/11 (SeRCOP) which are recognised as representing proper accounting practices, supported by International Financial Reporting Standards (IFRS). The accounts also follow guidance issued by CIPFA on the application of Financial Reporting Standards (FRSs) and Statement of Standard Accounting Practices (SSAPs). In accordance with CIPFA's Capital Accounting Regulations capital expenditure has been accounted for on an accruals basis. The convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

### **ii. Basis of Preparation**

The Council has prepared its financial statements in accordance with IAS1 Presentation of Financial Statements, IAS 7 Statement of Cash Flows and IFRS 8 Operating Segments, as interpreted by the Code. Where appropriate IPSAS1 Presentation of Financial Statements and IPSAS 2 Cash Flow Statements have also been used for additional guidance.

### **iii. Qualitative Characteristics of Financial Statements**

#### **(a). Relevance**

The accounts have been prepared with the objective of providing information about the Council's financial performance and position that is useful for assessing the stewardship of public funds and for making financial decisions.

#### **(b). Reliability**

The financial information is reliable as it has been prepared so as to reflect the reality or substance of the transaction, is free from deliberate systematic bias, is free from material error and has been prudently prepared.

#### **(c). Comparability**

In addition to complying with the Code the accounts also comply with the SeRCOP. This code establishes proper practice in relation to consistent financial reporting below the statement of accounts level and aids comparability with other local authorities

#### **(d). Understandability**

These accounts are based on accounting concepts and terminology which require reasonable knowledge of accounting and local government. Every effort has been made to use plain language and where technical terms are unavoidable they have been explained in the glossary contained within the accounts.

#### **(e). Materiality**

The concept of materiality has been utilised in preparing the accounts so that insignificant items and fluctuations under an acceptable level of tolerance are permitted provided that in aggregate they would not effect the interpretation of the accounts.

## **STATEMENT OF ACCOUNTING POLICIES**

### **iv. Underlying Assumptions**

#### **(a). Accruals Basis**

The financial statements, other than cash flow, are prepared on an accruals basis. Income and expenditure is recognised in the accounts in the period in which it is earned or incurred not as the cash is received or paid.

#### **(b). Going Concern**

The accounts have been prepared on the assumption that the Council will continue in existence for the foreseeable future.

### **v. Accruals of Income and Expenditure (Debtors and Creditors)**

The revenue accounts of the Council are maintained in accordance with the Code of Practice and FRS 18 *Accounting Policies*. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year.

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

Exceptions to this include electricity and similar periodic payments. These are included at the date of the meter readings rather than apportioned between two financial years. The policy is applied consistently to ensure a full year's expenditure is included and therefore this does not have a material effect on the year's accounts.

### **vi. Accounting Policies, Changes in Accounting Estimates and Errors: IFRS**

Prior period adjustments may arise as a result of change in accounting policy 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 has always been applied.

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

## **STATEMENT OF ACCOUNTING POLICIES**

### **vii. Cash & Cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the authorities cash management.

### **viii. Cash Flow**

Presentation of Cash Flow Statements can be done using either the direct method - whereby major classes of gross cash receipts and gross cash payments are disclosed or the indirect method - whereby the net cash flow from revenue activities is derived as a means of a reconciliation from the surplus or deficit on the Comprehensive Income and Expenditure Statement for the year. The Council uses the Direct Method.

### **ix. Capital Receipts**

Amounts in excess of £10,000 received from disposals of assets are credited to the Usable Capital Receipts Reserve, which can then only be used for new capital investment or set aside to reduce the Councils borrowing requirement.

A proportion of receipts relating to Housing Revenue Account dwelling and land disposals (75% for dwellings, 50% for land and other assets, net of deductions and allowances) is payable into a Government pool.

### **x. Contingent Assets**

Contingent assets will be disclosed as a note when the inflow of the receipt or economic benefit is probable or the timing uncertain. The disclosure will indicate the nature of the contingent asset and an estimate of its value.

### **xi. Contingent Liabilities**

Contingent liabilities are not included in the accounts but disclosed as a note. They represent possible obligations that the Council may be required to make payment for or transfer economic benefit. Only material types of liability will be disclosed with an estimate of the financial effect where known and any uncertainties relating to amounts or timing.

### **xii. Council Tax Income**

#### **The Collection Fund**

Selby District Council is a billing authority and as such is required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates (NNDR). The funds key features relevant to accounting for council tax in the core financial statements are:

- In its capacity as a billing authority the council acts as an agent: it collects and distributes Council Tax income on behalf of the major preceptors and itself. The major preceptors are North Yorkshire County Council, North Yorkshire Police Authority and North Yorkshire Fire and Rescue Service.
- While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the collection Fund and transferred to the General Fund of the billing authority or paid out of the Collection Fund to major preceptors. The amount credited to the General Fund under statute is the Council's precept or demand for the year plus the Council's share of the surplus on the Collection fund for the previous year or less its share of the deficit on the Collection fund for the previous year; and this amount may be more or less than the accrued income for the year in accordance with GAAP, although in practice the difference would usually be small.

## **STATEMENT OF ACCOUNTING POLICIES**

### **xii. Council Tax Income continued .....**

#### **Accounting for Council Tax in the Core Financial Statements**

Council Tax income included in the Comprehensive Income and Expenditure Statement for the year is the accrued income for the year.

The difference between the income included in the Comprehensive Income & Expenditure Account 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 Statement of Movement on the General Fund Balance.

Since collection of Council Tax is in substance an agency arrangement, the cash collected by the Council as billing authority from Council Tax debtors belongs proportionately to the billing authority and the major preceptors. There will therefore be a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of cash collected from Council Taxpayers.

If the net cash paid to a major preceptor in the year is more than its proportionate share of net cash collected from Council Tax debtors/creditors in the year the Council as billing authority shall recognise a debit adjustment for the amount overpaid to the major preceptor in the year and the major preceptor shall recognise a credit adjustment for the same amount to the debtor/creditor position between them brought forward from the previous year. If the cash paid to a major preceptor is less than its proportionate share of net cash collected in the year from Council Tax debtors/creditors the Council as billing authority shall recognise a credit adjustment for the amount underpaid to the major preceptor in the year and the major preceptor shall recognise a debit adjustment for the same amount to the debtor/creditor position between them brought forward from the previous year.

The Cash Flow Statement of the Council includes in Revenue Activities cash flows only of its own share of Council Tax net cash collected from Council Tax debtors in the year; and the amount included for precepts paid excludes amounts paid to major preceptors. The difference between the major preceptors' share of the net cash collected from Council Tax debtors and net cash paid to major preceptors as precepts and settlement of the previous year's surplus or deficit on the Collection Fund is included as a net increase/decrease in other liquid resources.

#### **Cash Flow Statement**

The Cash Flow Statement to exclude from 'Revenue activities':

- major preceptors precept payments and cash paid to or received from major preceptors in respect of the previous years Collection Fund surplus or deficit
- the major preceptors' share of the net cash received from Council tax debtors in the year

and therefore the Cash Flow statement includes only the billing authority's own share of Council Tax debtor or creditors net cash received in the year. The difference between the major preceptors' share of net cash collected from Council Tax debtors or creditors and net cash paid to major preceptors as precepts and settlement of the previous year's surplus or deficit on the Collection Fund is included as a net increase/decrease in liquid resources.

### **xiii. Discontinued Operations**

Operations which are discontinued will only be disclosed as a separate item on the Comprehensive Income & Expenditure Account if the value of the service is material i.e. above £50,000 net expenditure or income.

## STATEMENT OF ACCOUNTING POLICIES

### **xiv. Employee Benefits**

#### **(a). Benefits Payable During Employment**

Short term employee benefits are those due to be settled within 12 months of the year end. They include salaries, wages and other employment related payments and as far as practicable will be recognised in the year in which the service is rendered by the employees. A calculation will be done at the year end to assess the materiality of the cost of holiday entitlements earned by employees but not taken before the year end which employees can carry forward into the following financial year. Whilst this figure remains at a similar level to previous years and is below £30k in total no accrual will be made. Should the figure be above this level then consideration will be given for an accrual.

#### **(b). Post Employment Benefits (Pensions)**

Employees of the Council are members of the Local Government Pensions Scheme which is a fully funded defined benefits scheme administered by North Yorkshire County Council.

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

Liabilities are discounted to their value at current prices, using the relevant discount rate for the year (based on the indicative rate of return on average weighted 'spot yields' on AA rated bonds).

The assets of the North Yorkshire pension fund attributable to the council are included in the Balance Sheet at their fair value:

- quoted securities - current bid price
- unquoted securities - professional estimate
- unitised securities - current bid price
- property - market value

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

**Current service cost** - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.

**Past service cost** - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

**Interest cost** - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to Net Operating Expenditure in the Comprehensive Income and Expenditure

**Expected return on assets** - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return - credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.

**Gains and losses on settlements and curtailments** - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of non-distributed costs.

## **STATEMENT OF ACCOUNTING POLICIES**

### **(b). Post Employment Benefits (Pensions) continued .....**

**Actuarial gains and losses** - changes in net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Statement of Total Recognised Gains and Losses.

**Contributions paid to the North Yorkshire Pension Fund** - cash paid as employer's contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund and Housing Revenue Account to be charged with the amount payable by the council to the pension fund in the year, not the amount calculated according to relevant accounting standards. Where this does not match the amount charged to the Comprehensive Income and Expenditure Statement for the year (i.e. the amount of pension earned by employees) the difference is taken to the Pensions Reserve. This item is shown as a reconciling item within the

Movement in Reserves Statement. This means that there are appropriations to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

### **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff 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.

Further information in respect of pensions is disclosed at note 58 to the Core Financial Statements.

## **xv. Events After the Balance Sheet Date**

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

Where an event occurs after the Balance Sheet date but provides evidence of conditions that existed at the Balance Sheet date this will be classed as an adjusting event and the Statement of Accounts will be amended to reflect this event. A disclosure will also be made in the Events After Balance Sheet date note (Note 3).

Where an event occurs after the Balance Sheet date due to circumstances not in existence at the Balance Sheet date this will be classed as a non-adjusting event and the statement of accounts will not be altered. A disclosure will be made in the Events After the Balance Sheet Date note (Note 3) giving the nature of the event and an estimate of the financial effect or statement that an estimate cannot be reliably made.

## **xvi. Financial Instruments**

### **(a). Financial Liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For short-term borrowings and those from the PWLB this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.



## **STATEMENT OF ACCOUNTING POLICIES**

### **(b). Financial Assets**

However, the LGS stock issued by the Council in 1995 is now carried at a lower amortised cost than the outstanding principal and interest is charged at a marginally higher effective rate of interest than the rate payable to stockholders as the balance of the material amount of costs incurred in its issue are being financed over the remaining life of the stock.

We have based our fair value report on the comparable new borrowing/deposit rate for the same financial instrument from a comparable lender. A consistent approach has been applied to assets and liabilities.

Financial assets are classified into two types:

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

### **Loans and Receivables**

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

However, where the Council has made a loan greater than £50k to a local organisation at nil or below current interest rates (a soft loan) a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year (if any) - the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement In Reserves Statement.

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

### **Available-for-sale Assets**

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

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

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

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised within the Surplus or deficit on revaluation of non-current assets of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement. The exception is where impairment losses have been incurred - these are debited to the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

## **STATEMENT OF ACCOUNTING POLICIES**

### **(b). Financial Assets continued.....**

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

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

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

The Council has some War stock and Conversion Stock which are shown as long term investments on the balance sheet.

### **xvii. Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and external contributions are recognised as income when there is reasonable assurance that the Council will comply with the conditions attached to the payment and the monies will be received. Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until the conditions have been met. Conditions are stipulations that must be satisfied or the grant or contribution must be returned. Monies advanced as grants and contributions for which conditions have not been met are carried in the Balance Sheet as receipts in advance.

#### **(a). Revenue Grants and Contributions**

Where conditions have been met revenue grants and contributions are credited to the relevant service line for specific grants and the Taxation and Non Specific Grant Income line for grants that cover general expenditure (e.g. Revenue Support Grant, Area Based Grant). When the expenditure relating to specific grants has not been incurred the Council makes a contribution equivalent to the unspent amount of the grant to an appropriate earmarked reserve. These monies will then be released in future financial years when the expenditure to which the grant relates is incurred.

#### **(b). Area Based Grant**

Area Based Grant (ABG) is a non-ringfenced general grant, no conditions on use is imposed as part of the grant determination ensuring full local control on how funding can be used. ABG is a general grant and is included in the Comprehensive Income and Expenditure Statement with other general income sources such as income from the collection fund and non-domestic rates distribution.

#### **(c). Capital Grants and Contributions**

Where conditions have been met capital grants and contributions are credited to Taxation and Non Specific Grant Income in the Comprehensive Income and Expenditure Statement. The balance of the grant or contribution that has not been used to finance expenditure is transferred to the Capital Grants Unapplied Account via the Movement in Reserves Statement. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account when they have been applied to fund capital expenditure.

#### **(d). Grants and Contributions attributable to Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Where conditions have been met these grants and contributions are credited to the relevant service line in the Comprehensive Income and Expenditure Statement. The balance of the grant or contribution that has not been used to finance expenditure is transferred to the Grants Unapplied Account via the Movement in Reserves Statement. Amounts of REFCUS unapplied grant are transferred to the Capital Adjustment Account when they have been applied to fund expenditure.

## **STATEMENT OF ACCOUNTING POLICIES**

### **xviii. Intangible Fixed Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meet this criterion and they are therefore carried at amortised cost. The balance is amortised to the relevant service revenue account in the Comprehensive Income and Expenditure Statement over the economic life of the investment to reflect the pattern of consumption of benefits.

An asset is tested for impairment whenever there is an indication that it might be impaired - any losses recognised are posted to the relevant service line 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.

### **xix. Joint Arrangements Not an Entity (JANE)**

The Council is in partnership with Ryedale, Hambleton, Richmondshire and Scarborough Council's for the delivery of Building Control services. Due to the small level of assets (reserves) that the partnership has a decision has been taken by the partnership authorities to show as a disclosure note only the proportion of the income and expenditure relevant to each authority and its share of the reserve. Several of North Yorkshire's district council's have contracts with the North Yorkshire Audit Partnership for the provision of their Internal Audit services, whilst Selby, Scarborough and Ryedale have entered into a partnership to jointly procure goods and services.

### **xx. Jointly Controlled Operations and Jointly Controlled Assets**

The Council is in partnership with Wigan Leisure and Cultural Trust (WLCT) for the delivery of Leisure Services in the District by WLCT. This arrangement for delivery of services is through the use of jointly controlled assets.

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of assets of the venturers rather than the establishment of a separate entity.

Jointly controlled assets are items of property plant and equipment that are jointly controlled by the Council and other venturers (WLCT), with the assets being used to obtain benefits for the venturers (WLCT). The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf in respect of its interest in the venture.

### **xxi. Leases**

Leases are classified as either finance or operating leases based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or lessee. Whether the lease is a finance lease or an operating lease depends on the substance of the transaction rather than the contract. Leases are classed as finance leases where the terms of the lease transfer all the risks and rewards incidental to the ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Land and building elements of a lease are considered separately for the purpose of lease classification.

## **STATEMENT OF ACCOUNTING POLICIES**

### **xxi. Leases continued.....**

Arrangements that do not have the legal status of a lease but convey the right to use an asset in return for payment are accounted for under this policy where the fulfilment of the arrangement is dependant on the use of specific assets. This is referred to as an embedded lease. (E.g. Assets used in delivery of the Street Scene Contract).

#### **(a). Finance Leases**

**Lessee** - Property plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value (or the present value of the minimum lease payments if lower). The asset recognised is matched by a deferred liability for the obligation to pay the lessor.

Lease payments are apportioned between a charge for the acquisition of the interest in the property, plant or equipment which is applied to write down the deferred liability and a finance charge which is recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

These property, plant and equipment lease assets are subject to depreciation. The MRP on these assets equates to the amount of the lease payment that is applied to write down the deferred liability.

The Deferred liabilities are classed as either short or long term in line with the lease repayments.

#### **(b). Operating Leases**

**Lessee** - Leasing payments for operating leases are charged to revenue on a straight-line basis over the term of the lease generally meaning that rentals are charged when they become payable and are shown within service expenditure in the Comprehensive Income and Expenditure Statement.

**Lessor** - Rental income from operating leases is recognised on a straight-line basis over the period of the lease and is shown in the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Assets held for use as operating leases are recorded as assets in the Council's Balance Sheet.

### **xxii. National Non-domestic Rates (NNDR)**

As a billing authority the Council collects NNDR under what is in substance an agency arrangement for the Government. It therefore follows that:

- Income and Expenditure Statement. The cost of collection allowance which is paid to the Council is income and as such is included in the Council's Comprehensive Income and Expenditure Statement.
- NNDR debtor and creditor balances with taxpayers and the impairment allowance for doubtful debts are not assets and liabilities of the Council and shall not be recognised in the Council's Balance Sheet.
- Cash collected from NNDR taxpayers by the Council belongs to the Government and the amount not yet paid to the Government at the Balance Sheet date shall be included as a creditor; similarly, if cash paid to the Government exceeds the cash collected from NNDR taxpayers, the excess shall be included in the Balance Sheet as a debtor.
- Cash collected from NNDR taxpayers by the Council is collected for the Government and is therefore not a revenue activity of the Council and shall not be included in the Council's Cash Flow Statement as a cash inflow except for the cash retained in respect of the cost of collection allowance. Similarly the Council's payment into the NNDR national pool is not a revenue activity and is not included in the Council's Cash Flow Statement as a cash outflow.

## **STATEMENT OF ACCOUNTING POLICIES**

### **xxii. National Non-domestic Rates (NNDR) continued .....**

- The difference between the cash collected from NNDR taxpayers and the amount paid into the NNDR pool is included in management of liquid resources as a net increase/decrease in other liquid resources.
- Amounts billed to NNDR taxpayers over and above the NNDR due, usually to recover the Council's costs in pursuing unpaid NNDR debts are income for the Council and are not required to be accounted for to the Government.

The NNDR taxpayers' debtor and creditor balances and impairment allowances for doubtful debts are not Balance Sheet items of the Council since it acts as an agent of the Government when collecting NNDR. The balance due to or from the Government based on an actual or estimated NNDR 3 return is not an amount that should be recognised in the Council's Balance Sheet. It does not represent an actual debtor/creditor position between the Council and the Government: it is simply part of the mechanism for determining the instalments by which the Council pays over NNDR taxpayers' cash to its principal the Government. The correct debtor/creditor position that needs to be recognised in the Council's Balance sheet is the amount of cash from NNDR taxpayers (less the amount retained in respect of the Council's cost of collection allowance) that has not been paid to the Government or has been overpaid to the Government on the Balance Sheet date.

Since they are not revenue activities of the Council the Cash Flow Statement will exclude from 'Revenue Activities':

- cash received from non-domestic rate receipts (except for the amount retained as the cost of collection allowance), and
- national non-domestic rate payments to the national pool

The difference between these two above amounts shall be included in management of liquid resources as a net increase/decrease in other liquid resources.

### **xxiii. Overheads and Support Services**

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

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

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

The main bases of allocation are outlined as follows:

- |                                  |                                 |
|----------------------------------|---------------------------------|
| • Central Departments            | - Estimated time spent by staff |
| • Administrative Buildings       | - Floor space occupied          |
| • Computer (non staff)           | - Usage statistics              |
| • Telephones / Postage / Copying | - Actual usage                  |

## STATEMENT OF ACCOUNTING POLICIES

### **xxiv. Private Finance Initiative (PFI) Scheme**

The Council entered into a 30 year PFI scheme in 2003 with South Yorkshire Housing Association for the provision of 250 housing units to rent. PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. Payments made by the Council under the contract are charged to the General Fund Revenue Account to reflect the value of services received in each financial year.

The accounting requirements for PFI are based on International Financial Reporting Standards IFRIC 12 "Service Concession Arrangements". This requires PFI assets that are currently off balance sheet to be reviewed and in most cases to be brought onto an organisations balance sheet during the PFI period not just at the end of it.

The Council has reviewed its PFI contract. The Council put land into the project and this is currently leased to South Yorkshire Housing Association (SYHA) on a 999 year lease. This land is included in the Council's balance sheet. The dwellings are the property of SYHA and will remain their property at the end of the 30 year period and are not therefore included in the Council's balance sheet.

**PFI credits** - Government grants received for the scheme in excess of current levels of expenditure are carried forward as an earmarked reserve to fund future contract expenditure.

### **xxv. Premiums and Discounts**

Discounts and/or premiums incurred on the premature repayment or rescheduling of loans prior to April 2009 cannot be attributed to any existing debt and have been classified as over-hanging. The balances are being carried in the Financial Instruments Adjustment Account and will continue to be amortised to the General Fund and Housing Revenue Account over a period which represents the life of the loans repaid.

### **xxvi. Property Plant and Equipment**

Property, Plant and Equipment are fixed assets that have physical substance and are held for use in the provision of services, for rental to others or for administrative purposes on a continuing basis (more than one financial year).

**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 be of benefit to the Council and the services that it provides for more than one financial year and the cost can be measured reliably. Expenditure that secures but does not extend the previously assessed standard of performance of an asset (e.g. repairs and maintenance) is charged to revenue as an expense when it is incurred.

The Council has a de-minimis level for capital expenditure on assets of £5k, and generally will not treat expenditure on individual assets below this as capital and such expenditure will be written off to revenue. However individual assets below this level such as IT equipment which are subject to a rolling replacement programme may be grouped together to form an asset of significant value which will then be depreciated. In addition if the purchase of such de-minimis assets is funded from grant which requires them to be treated as capital then this will override the policy.

**Measurement** - Assets are initially measured at cost, comprising:

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

## **STATEMENT OF ACCOUNTING POLICIES**

### **xxvi. Property Plant and Equipment continued .....**

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). 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.

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

- infrastructure, community assets and assets under construction - depreciated historical cost
- dwellings - fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that the carrying amount is not materially different from their fair value at the year end, but as a minimum every five years.

The Council commissioned this to be done during 2009/2010, and all land and buildings (other than Council Dwellings) were revalued at 1 April 2009. In accordance with the Code, all land and buildings are subject to a 'desk top review' each year with any material changes being reflected in the balance sheet in the year in which they occur.

Council Dwellings were valued at 1 April 2006 in order to comply with Resource Accounting for the Housing Revenue Account and are also subject to annual 'desk top reviews' with material changes being reflected in the year in which they occur. The next full revaluation is due in April 2011.

Increases in values following the five yearly revaluations and annual desk top reviews are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

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

- Where the 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 & Expenditure Statement.

## **STATEMENT OF ACCOUNTING POLICIES**

### **xxvi. Property Plant and Equipment continued .....**

**Componentisation** - All Property assets containing a building are split into two components - Land and Buildings. The buildings are then further reviewed to assess if there are additional components which should be recognised. This assessment is based on the value of the building and the value of the components. A materiality level has been set below which this additional review will not be done. Only buildings with a valuation greater than £150,000 will be considered for componentisation. The cost of the component should be at least 20% of the value of the building. Components whose value is under this level will be considered if the circumstances are deemed appropriate. Componentisation will only be done either at the full 5 yearly valuation or when major capital improvements are undertaken.

**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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income & 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 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 calculated on the following bases:-

- Dwellings and other buildings - straight-line allocation over the life of the property as estimated by the Valuer.
- Vehicles, Plant and Equipment - straight-line allocation over the life of the asset, as advised by a suitably qualified officer.
- Infrastructure - straight-line allocation over 25 years or less if appropriate.

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.

### **Charges to Revenue for Fixed Assets**

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

- Depreciation attributable to the assets used for the relevant service.
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- Amortisation of intangible fixed assets attributable to the service.



## **STATEMENT OF ACCOUNTING POLICIES**

### **xxvi. Property Plant and Equipment continued .....**

The council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement for capital projects funded from borrowing prior to 2007/08 and since then over the life of the asset purchased, (excluding amounts attributable to HRA activity). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

**Disposals** - When it becomes certain 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 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.

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to Housing Revenue Account disposals (75% for dwellings, and 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

### **xxvii. Provisions**

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer or amount is uncertain.

Provisions are required to be recognised when:

- The Council has a present obligation (legal or constructive) as a result of a past event.
- It is probable that a transfer of economic benefits will be required to settle the obligation, and
- A reliable estimate can be made of the amount of the obligation.

A transfer of economic benefits or other event is regarded as probable if the event is more likely than not to occur. If these conditions are not met, no provision is made.

## **STATEMENT OF ACCOUNTING POLICIES**

### **xxvii. Provisions continued.....**

Under FRS 26 debtors are classified as trade receivables. Each type of debtor such as council tax debtors, business rate debtors, housing rent debtors are assessed for impairment based on historical loss experience and the relevant provision adjusted accordingly.

### **xxviii. Inventories and long Term Contracts**

In accordance with proper accounting practice, inventories (stocks) are valued at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

### **xxix. Revenue Expenditure Funded From Capital Under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but 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 the charge 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 there is no impact on the level of council tax.

### **xxx. Reserves**

The Council maintains separate balances for the General Fund and Housing Revenue Account to or from which appropriations are made for annual surpluses or deficits. The Council also maintains earmarked reserves for future policy purposes or to cover contingencies. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Capital Reserves, consisting of the Major Repairs Reserve and Useable Capital Receipts can only be used for capital purposes and are not available for revenue purposes.

In addition certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits that do not represent usable resources for the Council. These reserves are explained in the relevant policies.

### **xxxi. Value Added Tax (VAT)**

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

### **Accounting Standards that have been Issued but have not yet been adopted.**

Changes in accounting policies are retrospective unless the Code states otherwise, i.e. the accounts have to be cleared of the effects of previous accounting policy and the new policy applied as if that policy had always been applied. This requires the recalculation of balances and comparative transactions to apply the policy from the date the income, asset or liability was first recognised.

IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors ) requires disclosures in respect of new IFRSs amendments and interpretations that are or will be, applicable after the reporting period. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question. There is currently one IFRS amendment and interpretation that will be effective for financial statements after this reporting period and has not been adopted early:

## **Accounting Standards that have been Issued but have not yet been adopted continued.....**

The adoption of FRS 30 Heritage Assets by the Code will result in a change of accounting policy that requires disclosure.

Heritage assets are defined as those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Heritage assets include historical buildings, museum and gallery collections.

The Council does not have any heritage assets, and will therefore not be affected by this change.

## **EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

### **1. Critical Accounting Judgements In Applying Accounting Policies**

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

#### **Classification of Leases**

The Council has undertaken an analysis to classify the leases that it holds both as a lessor and a lessee, as either operating or finance leases. In deciding whether these transactions score as leases and which type under the accounting arrangements for ISA 17 Leases it has been necessary to make judgements about the underlying economic substance of the lease agreement.

#### **Arrangements Containing a Lease**

The Council is deemed to control the assets that fall within contractual and other arrangements which involve the provision of a service using specific underlying assets and which are therefore considered to contain a lease. This affects the Street Scene and Leisure contracts. The accounting treatment for leases has been applied to these arrangements to determine whether the lease contained within them is a finance or operating lease and as a result additional assets are recognised as Property, Plant and Equipment in the Council's Balance Sheet.

#### **Local Government Funding**

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

#### **Investment Properties (Commercial Property)**

The Council has reviewed its assets previously classed as commercial property in accordance with the accounting policy and as a result these properties have been reclassified as Property, Plant and Equipment.

#### **Assets Held For Sale**

The Council has reviewed all assets in accordance with the accounting policy and determined that no properties currently need to be reclassified.

### **2. 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.

#### **Valuation and Revaluation of Property Plant and Equipment**

Property, plant and equipment are revalued every five years. They are however, tested annually for indicators of impairment. Judgements are required to make an assessment as to whether there is an indication for impairment. The impairment tests include examination of capital expenditure incurred in the financial year to ascertain whether it has resulted in an increase in value or an impairment of an asset. The influence of external market factors on the value of assets are also reviewed annually. This work is undertaken by the valuers employed by the Council. If the actual results differ from the assumptions the value of property, plant and equipment will be over or understated. This would be adjusted at the full five yearly revaluation.

## **Valuation and Revaluation of Property Plant and Equipment continued .....**

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 Council fails to sustain its current maintenance programme there may be doubt around the useful lives assigned to assets. If the useful life of assets is reduced then depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £15k and £33k for the total dwellings stock for every year that useful lives had to be reduced.

The material judgement in choice of accounting policy for the valuation of the Council's dwellings stock. The dwellings stock constitutes the majority of the Council's property plant and equipment base. The guidance issued by the Department for Communities and Local Government permits two valuation methods: the Beacon Approach and the Discounted Cash Flow Approach. The Council has chosen the Beacon Approach which groups properties according to their type and values them accordingly at Open Market Value, then applies a multiplication factor of 31% to reflect Existing Use (Social Housing), as it is felt that this more accurately reflects the value of the stock.

The Council has also made a material judgement on the value level at which non land assets will be considered for componentisation. The threshold has been set at £150,000 and components will only be reflected if they constitute more than 20% of this total.

### **Pensions Liability**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate use, 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 by North Yorkshire County Council (the Pension Fund Administrators) on behalf of the Council to provide the expert advice about the assumptions that are to be applied.

The effects on the net pensions liability of changes in individual assumptions can be measured. For instance a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £781k.

However, the assumptions interact in complex ways. During 2010/11 the actuaries advised that the net pensions liability was based on the 2010 actuarial valuation.

### **Arrears**

At 31 March 2010, the Council had a balance of sundry debtors for £1.312m. A review of the significant balances suggested that an impairment of doubtful debts of 5% for debts over 30 days, 15% over 60 days, 40% for those over 90 and less than 364 days and 90% for those over 364 days was appropriate. The impact of the current economic climate is being kept under review to enable an assessment to be made as to whether or not this allowance is sufficient for debt up to 364 days.

If collection rates were to deteriorate, a doubling of the amount of impairment for doubtful debts would require an additional £25k to be set aside as an allowance.

The Council's share of Council Tax debtors has a provision of 17.9%. This is calculated using prescribed formula and is considered adequate.

### **Employee Benefits Accrual**

The employee benefits accrual cost was calculated for 2008/09, 2009/10 and 2010/11, there is little or no variation year on year. The amount involved is deemed not to be material and therefore no accrual has been included within the accounts. The calculation will be performed and reviewed each year and should it be deemed material an accrual will be made in the accounts.

## Material Items of Income & Expenditure

The Comprehensive Income and Expenditure Statement includes the following items that are material in the context of the overall income and expenditure of the Council, or are otherwise variable in nature:

2009/2010 £'000		2010/2011 £'000
13,350	Housing benefits	14,751
4,302	Council tax benefit	4,691
6,747	Impairments	48,815

The Council paid out a total of £19.442m in housing and council tax benefits in 2010/11 (£17.652m in 2009/10), this was paid for by government subsidy.

### 3. Events After the Balance Sheet Date

Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after March 31 2011 as they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date.

The Council has now received an offer for the remaining part of the Civic Centre site from a developer subject to receipt of detailed planning permission and with vacant possession (i.e. the existing telecoms mast relocated). The District Valuer has been consulted on the valuation.

As part of the offer and is the requirement to relocate the existing telecommunications mast. An alternative site for a new mast has been identified and safeguarded at the Prospect Way Depot. The cost of relocating the mast is currently estimated at approximately £170,000.

The Council has entered negotiations with a developer to sell a piece of land at Riccall. This land has been for sale for a number of years and negotiations are still progressing after abnormalities at the site were investigated. A revised offer has been received of £720,000 subject to planning permission for 13 executive homes.

A national legal challenge by APPS in respect of the LLC1 element of the local land charges search function has commenced. The Council is currently assessing the impact that this will have.

The following notes are intended to explain figures contained in the Comprehensive Income and Expenditure Statement, Balance Sheet and the Cash Flow Statement.

#### 4. Central Services to the Public

2009/2010 Net Exp. Restated £'000	Service	2010/2011 Expenditure £'000	2010/2011 Income £'000	2010/2011 Net Exp. £'000
831	Local Tax Collection	5,659	4,993	666
158	Elections & Electoral Registration	216	69	147
69	Emergency Planning	59	-	59
24	Local Land Charges	104	140	(36)
65	Grants	51	-	51
<b>1,147</b>	<b>Total</b>	<b>6,089</b>	<b>5,202</b>	<b>887</b>

The above note brings together those costs relating to services provided to the public by central departments. Costs included in Local Tax Collection include council tax collection, council tax benefits and non-domestic rates collection. Grants include miscellaneous grants made to voluntary organisations.

#### 5. Cultural, Environmental and Planning Services

2009/2010 Net Exp. Restated £'000	Service	2010/2011 Expenditure £'000	2010/2011 Income £'000	2010/2011 Net Exp. £'000
1,214	Recreation & Sport	599	10	589
181	Open Spaces	445	152	293
42	Cemetery Services	55	1	54
843	Environmental Health	979	124	855
36	Markets	28	40	(12)
135	Community Safety	333	140	193
643	Street Cleansing	541	3	538
1,567	Waste Collection	1,105	4	1,101
1,001	Recycling	1,888	817	1,071
(33)	Commercial Waste	599	511	88
103	Building Control	49	-	49
(25)	Development Control	1,260	396	864
572	Planning Policy	547	38	509
348	Economic Development	283	215	68
81	Community Development	106	-	106
<b>6,708</b>	<b>Total</b>	<b>8,817</b>	<b>2,451</b>	<b>6,366</b>

Recreation and Sport, and Open Spaces expenditure includes costs associated with the contract let to Wigan Leisure and Cultural Trust for the provision of leisure and recreation facilities in the district. The Council's bank (NatWest holds a performance bond for the contract of £270k)

## 5. Cultural, Environmental and Planning Services continued.....

During 2010/11 the Council transferred responsibility for the operation of Selby Market to Selby Town Council.

Community Safety includes expenditure and income which relates to the Selby Community Safety Partnership, and the recently created Community Engagement Forums (CEF'S) which have been set up to reduce crime and disorder, and to promote community safety in Selby District. Selby District Council as the lead Authority, is working with a number of organisations to achieve the aims of the Partnership. The partners include North Yorkshire Police, North Yorkshire County Council, North Yorkshire Fire & Rescue Authority, York and North Yorkshire Primary Care Trust, North Yorkshire Police Authority, the Youth Offending Team, Selby AVS, the Drug Action Team and the Drug & Alcohol Reference Group. The Council engaged Enterprise Managed Services to run its Streetscene contract, and the costs are shown within Waste Collection, Recycling and Street Cleansing.

## 6. Highways, Roads and Transport Services

2009/2010 Net Exp. Restated £'000	Service	2010/2011 Expenditure £'000	2010/2011 Income £'000	2010/2011 Net Exp. £'000
(131)	Parking Services	220	307	(87)
601	Public Transport & Concessionary Fares Scheme	679	207	472
<b>470</b>	<b>Total</b>	<b>899</b>	<b>514</b>	<b>385</b>

Since April 2008 everyone who is resident in England and is either of 'eligible age' or 'eligible disabled' has been entitled to a free annual bus pass giving free off-peak travel on local buses anywhere in England. 'Off-peak' is between 9.30am and 11.00pm Monday to Friday and all day at the weekends and on public holidays. (Eligible age is the same as women's State Pension age.) The Council is part of the North Yorkshire Concessionary Fares Partnership scheme which is administered on behalf of Selby District Council and the other Council's in North Yorkshire by Harrogate Borough Council. 2010/11 is the last year that the District Councils will administer the scheme. With effect from 1 April 2011 responsibility for the Concessionary Fares Scheme moves to North Yorkshire County Council

## 7. Local Authority Housing (HRA)

The Housing Revenue Account (HRA) is a record of revenue expenditure and income relating to the Council's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. Consequently, the HRA is a statutory account, ring fenced from the rest of the General Fund so that rents cannot be subsidised from council tax.

2009/2010 Restated £'000		2010/2011 £'000
(10,517)	Housing Revenue Account income	(11,414)
14,376	Housing Revenue Account expenditure	59,784
<b>3,859</b>	<b>Net Cost of Housing Revenue Account Services</b>	<b>48,370</b>
-	Exceptional Item - EUV SH Adjustment	48,828
-	Balance of Cost Housing Revenue Account Services	10,956

The increase in expenditure for 2010/11 reflects the impairment of council dwellings. The Housing Revenue Account and accompanying notes can be found on pages 93 to 100.



## 8. Housing Services

2009/2010 Net Exp. Restated £'000	Service	2010/2011 Expenditure £'000	2010/2011 Income £'000	2010/2011 Net Exp. £'000
(222)	Housing Strategy (RSL's & PFI)	338	278	60
319	Housing Grants & Energy Conservation	151	(245)	396
75	Homelessness	240	61	179
69	Housing Benefits	14,786	14,951	(165)
412	Housing Benefits Administration	837	503	334
2	Other Housing	3	1	2
-	Supporting People	414	412	2
<b>655</b>	<b>Total</b>	<b>16,769</b>	<b>15,961</b>	<b>808</b>

Housing Strategy includes the annual costs of the Housing PFI Scheme. The Council receives a grant from Central Government of £278k towards the years costs of the scheme. The grant has been reduced from £537k due to a reduction in the number of dwellings delivered under the scheme from the original estimate of 250 to 153 see note 32 on page 63 for more details.

Supporting People expenditure covers costs relating to Designated Housing, Sheltered Housing, Lifelines and Homelessness. These costs are reimbursed through grants receivable from North Yorkshire County Council, contributions from the Housing Revenue Account and rental income.

## 9. Corporate and Democratic Core

2009/2010 Net Exp. £'000	Service	2010/2011 Expenditure £'000	2010/2011 Income £'000	2010/2011 Net Exp. £'000
653	Democratic Representation & Management	685	4	681
683	Corporate Management	755	91	664
<b>1,336</b>	<b>Total</b>	<b>1,440</b>	<b>95</b>	<b>1,345</b>

Democratic Representation and Management includes costs such as Members allowances and committee administration. Corporate Management includes the costs of the Chief Executive, the preparation of accounts, treasury management and external audit. Bringing these costs together here excludes them from the total cost of any particular service, which accords with relevant accounting regulations.

## 10. Non Distributed Costs

2009/2010 Net Exp. £'000	Service	2010/2011 Expenditure £'000	2010/2011 Income £'000	2010/2011 Net Exp. £'000
235	Costs of Unused Facilities (assets & IT)	81	-	81
77	Retired Officer Superannuation	83	21	62
(11)	Other Services	-	4	(4)
33	IAS 19 - Pension service (gains) & curtailments	100		100
<b>334</b>	<b>Total</b>	<b>264</b>	<b>25</b>	<b>239</b>
-	Exceptional Item - IAS 19 - Pension Inflation Adjustment	(2,244)	-	(2,244)

Non Distributed costs are held centrally, and as such are not recharged to particular services, as per relevant accounting regulations. Non Distributed costs include the costs relating to unused facilities, such as unused buildings. 2010/11 has seen a decrease in costs due to an impairment loss suffered in 2009/10 affecting only that year. Pension costs changed during the year due to changes in value of the pension fund IAS19 pension costs are shown in greater detail in note 58.

## 11. Surpluses / Deficits on Trading Undertakings

Trading undertakings are activities of a commercial nature financed substantially by charges to recipients of the service. The Council has reviewed its activities previously categorised under this heading and as a consequence these services are now included within Cultural and Environmental Services in note 2.

## 12. Interest Payable and Similar Charges

2009/2010 Charge £'000		2010/2011 Charge £'000
745	External Interest Charges - Borrowing	866
5	External Interest Charges - Leases	31
<b>750</b>	<b>Total Interest</b>	<b>897</b>

The figures for 2009/10 have been adjusted to reflect the interest charge on the finance leases within the Street Scene contract.

## 13. Interest and Investment Income

The Council invested its overall surplus funds on a day to day basis. The investments were to major Clearing Banks, other Local Authorities and some Building Societies. The total interest generated in 2010/11 was £342k (2009/10 £930k). Interest earned has dropped significantly from 2009/10 due to the historically low interest rates.

In addition the Council earns interest from mortgages issued previously under the tenants right to buy scheme £2k (2009/10 £2k) which is credited to the Housing Revenue Account and employee car loans £4k (2009/10 £4k) which is credited to the General Fund. These together with the balances interest gives an interest figure of £348k (2009/10 £936k).

## 14. Council Tax

The Council Tax due to the Council as shown on the Comprehensive Income & Expenditure Statement is the amount due to the Council on an accruals basis for the year. It includes the actual surplus/deficit that will be distributed/recovered from the Council in the future. The note analyses the amount of Council Tax actually paid to the Council on a cash basis in the year adjusted for the accrual.

2009/2010 Amount £'000		2010/2011 Amount £'000
(5,865)	Council Tax Precept for Year (District & Parish)	(6,080)
50	(Surplus)/Deficit payable/repayable in year	-
(5,815)	Total Council Tax payable to Council in Year	(6,080)
(59)	Actual Share of Collection Fund (Surplus)/Deficit for Year Ended	(59)
(50)	Reversal of Surplus/(Deficit) paid in year	-
<b>(5,924)</b>	<b>Council Tax Due to Council</b>	<b>(6,139)</b>

## 15. Recognised Capital Grants and Contributions

The table shows an analysis of the capital grants that the Council has or is due to receive in respect of capital projects. These grants will either be transferred to the Capital Adjustment Account to pay for in year expenditure or to the Capital Grants Unapplied account pending the completion of capital projects. These grants have no conditions outstanding at the balance sheet date.

2009/2010 Amount £'000		2010/2011 Amount £'000
	General Fund	
(59)	Private Sector Home Improvement Works	(114)
-	Conservation & Listed Buildings Works	(7)
(76)	Big Lottery & Leisure	
(190)	Urban Renaissance Programme	(6)
(10)	Other Grants	
	Housing Revenue Account	
-	Energy Efficiency	(50)
<b>(335)</b>		<b>(177)</b>

## 16. Capital Expenditure Financed from Revenue

The capital programme can be financed from a variety of sources, one of which is revenue. In 2010/11 £1.529m of capital expenditure was funded from revenue. Of this £1.085m was funded from the Housing Revenue Account (£1.308m in 2009/10). Whilst capital expenditure of £36k was funded from General Fund balances (£45k in 2009/10) and £408k was financed using various General Fund reserves (£348k in 2009/10). Of this £36k related to expenditure on grants and assets not in the ownership of the Council referred to as Revenue Funding from Capital Under Statute (REFCUS), the costs for which are contained within the net cost of services.

## 17. Members Allowances

The cost of Members Allowance payments is included within the Corporate and Democratic Core costs and in 2010/11 amounted to £236,157 (£230,814 in 2009/10). These figures include an allowance of £3,900 paid to Cllr Mark Crane in respect of his duties as a member of Local Government Yorkshire and Humber. This amount has been fully reimbursed to Selby District Council.

## 18. Audit Fees

The Council incurred the following fees relating to external audit and inspection:

2009/2010 £'000		2010/2011 £'000
97	Fees due to the Audit Commission with regard to external audit services carried out by the appointed auditor.	101
8	Fees due to the Audit Commission in respect of statutory inspection.	13
40	Fees paid to the Audit Commission for the certification of grant claims and returns.	40
<b>145</b>	<b>Total</b>	<b>154</b>

## 19. Building Control

On 1 April 2001 the Council formed a partnership with Ryedale District Council to provide Building Control services on behalf of the two Councils. The North Yorkshire Building Control Partnership was originally planned to operate for a three year trial period to 31 March 2004. Following an external review of the Partnership's viability in 2002/03, both Councils agreed to make the arrangement permanent. The Partnership has now expanded to include three other partners; Hambleton District Council joined on 1 September 2007, Scarborough Borough Council joined on 1 April 2008 and Richmondshire District Council joined on 1 April 2010. A joint committee manages the Partnership with an equal number of representatives from each council. The agreed financial arrangements are that each partner is required to pay a fixed fee for non-chargeable services and receive a share of any surpluses over the maximum agreed reserve balance of £150,000. The Partnership produce their own set of accounts and these can be requested from Ryedale District Council.

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the Building Control function. There are however certain duties undertaken by the Building Control Partnership which cannot be charged for, such as providing advice and liaising with other statutory bodies. Chargeable and non-chargeable costs are shared between the partners on a previously agreed basis. The statement shows the Council's share of the cost of operating the Building Control Partnership split between chargeable and non-chargeable duties.

2009/2010 Total £'000		2010/2011 Expenditure £'000	2010/2011 Income £'000	2010/2011 Total £'000
16	Chargeable	228	218	10
75	Non-Chargeable	26	9	17
<b>91</b>	<b>(Surplus) / Deficit for the Year</b>	<b>254</b>	<b>227</b>	<b>27</b>

During 2010/11 Selby District Council has paid a management fee of £39,280 to cover non-chargeable costs as part of the arrangement with the North Yorkshire Building Control Partnership. During 2009/10, the Council made a provision to cover an anticipated deficit due to the economic climate, the actual deficit contribution payable during 2010/11 was lower than the provision which subsequently off-set the management fee in the non-chargeable expenditure line. The balance on the Partnerships reserve at 31 March 2011 is £18,514 of which £3,703 belongs to Selby.

## 20. Officers' Emoluments

The number of employees whose remuneration, excluding employers pension contributions, was £50,000 or more in bands of £5,000 were:-

2009/2010 No. of Employees	Remuneration Band	2010/2011 No. of Employees
4	£50,000 - £54,999	4
1	£55,000 - £59,999	1
-	£60,000 - £64,999	-
1	£65,000 - £69,999	-
1	£70,000 - £74,999	1
-	£75,000 - £79,999	-
-	£80,000 - £84,999	-
-	£85,000 - £89,999	-
1	£90,000 - £94,999	1

The following tables for 2009/2010 and 2010/2011 (for comparison) set out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year.

2009/2010  Post Title	Salary (including fees & allowances) £	Benefits in Kind (Car Allowance) £	Total Remuneration		Total Remuneration including pension contributions 2009/2010 £
			excluding pension contributions 2009/2010 £	Employers Pension Contributions £	
Chief Executive	92,852	906	93,758	19,406	113,164
Deputy Chief Executive	71,178	906	72,084	15,050	87,134
Strategic Director	67,011	906	67,917	14,005	81,922
<u>Heads of Service:-</u>					
Finance	56,203	906	57,109	11,746	68,855
Environmental Health	50,799	906	51,705	10,617	62,322
Housing & Property	50,799	906	51,705	10,617	62,322
Development Services	50,850	906	51,756	11,343	63,099
	439,692	6,342	446,034	92,784	538,818

## 20. Officers' Emoluments continued.....

2010/2011  Post Title	Salary (including fees & allowances) £	Benefits in Kind (Car Allowance) £	Total		Total Remuneration including pension contributions 2010/2011 £
			Remuneration excluding pension contributions 2010/2011 £	Employers Pension Contributions £	
Chief Executive	92,852	963	93,815	20,242	114,057
Deputy Chief Executive	72,012	963	72,975	15,699	88,674
<u>Heads of Service:-</u>					
Finance	56,203	963	57,166	12,252	69,418
Housing & Property	50,799	963	51,762	11,074	62,836
Development Services	50,799	963	51,762	11,074	62,836
Customer and Business Support	50,799	963	51,762	11,074	62,836
Partnerships & Commissioning	50,799	963	51,762	11,074	62,836
	424,263	6,741	431,004	92,489	523,493

## 21. Related Party Transactions

The Council is required to disclose all 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. In this context related parties include:

- Central Government
- Members
- Officers
- Other Public Bodies
- Entities Controlled or significantly influenced by the Council

### Central Government

Central Government has effective control 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. housing benefits, council tax bills). Grants received from Government Departments are set out in note 63

### Members

Members of the Council have direct control over the council's financial and operating policies. The total of member allowances paid in 2010/11 is shown in Note 17.

In addition in 2010/11 the council paid grants totalling £50,030 of which Selby Citizens Advice Bureau received funding of £37,000 - Cllr Mark Crane is a trustee and £4,800 to Age Concern Selby - Cllr Ruth Saynor is a trustee. In all instances, the grants were made with proper consideration of declarations of interest.

The register of Members' Interest is open to public inspection at the Civic Centre during office hours, on application.

## 21. Related Party Transactions continued .....

### Officers

In 2010/11 there were no material related party transactions requiring disclosure in relation to officers who have the authority and responsibility for planning, directing and controlling the activities of the Council. Employee car loans totalling £24k were advanced during the year to officers to enable them to carry out their official duties, £43k was repaid leaving a balance of £75k.

### Other Public Bodies

During the year the Council paid a total of £1.365m (£1.308m 2009/10) in precepts to the 67 parishes within the district. £1.432m (£1.400m 2009/10) was paid as a levy to the internal drainage boards (see table below). There were no balances owed at the end of the year.

The Council provided £30k of support to Groundwork Selby during the year (£34k 2009/10).

The North Yorkshire Audit Partnership provides an internal audit service for the Council. The Council is a full partner along with Ryedale DC (the host authority), Scarborough BC, Richmondshire DC and Hambleton DC. During the year the Council paid £95k (£114k 2009/10) for audit services to the partnership.

The Council paid £1.509m (£1.545m 2009/10) of employer contributions to the North Yorkshire Pension Fund who administer the pension scheme on behalf of the Council and its employees.

In addition the Council paid on behalf of and received from North Yorkshire and York PCT £9.727m (£1.156m 2009/10 ) for its costs in respect of the joint project to build the new hospital and civic centre.

The table below summarise these material transactions which were a cost to the Council during the year. The table also shows the balances owed to/from these parties at the year end.

2009/2010 Transactions £'000		2010/2011 Transactions £'000	2010/2011 Balance £'000
1,308	Parish Precepts	1,365	
1,400	Internal Drainage Board Levies	1,432	
1,545	North Yorkshire Pension Fund (Employer Contributions)	1,509	
114	Ryedale District Council (for North Yorkshire Audit Partnership)	95	
34	Selby Groundwork Trust	30	
<b>4,401</b>	<b>Total Payments</b>	<b>4,431</b>	<b>-</b>

## 22. Segmental Reporting

Authorities are required to analyse the financial performance of their operations in the Comprehensive Income and Expenditure Statement using the service analysis included in the Best Value Accounting Code of Practice with the intention of securing consistency of reporting across all authorities.

However, for the purposes of the Councils accounts, it is more relevant to review the financial performance according to how the Council has been managed, with information corresponding with that used by management in making decisions. These decisions were taken by Council Boards and Committees.

The aim of segmental reporting is to disclose information to enable users of the Councils financial statements to evaluate the nature and the financial effects of the activities in which it engages and the economic environments in which it operates.

The Chief Operating Decision Maker is the 'Council' made up of elected representatives including; the Leader of the Council, Chair and Vice Chair of each Committee or Board, the Chief Executive, Deputy Chief Executive and the Section 151 Officer. The data presented in the Segmental Reporting Table is in a format familiar to the Council.

## 22. Segmental Reporting 2009/10

2009/10	Economy 2009/2010 Actual Outturn £'000	Environment 2009/2010 Actual Outturn £'000	Planning 2009/2010 Actual Outturn £'000	Social GF 2009/2010 Actual Outturn £'000	Social HRA 2009/2010 Actual Outturn £'000	P & R 2009/2010 Actual Outturn £'000	Central Support 2009/2010 Actual Outturn £'000	TOTALS 2009/2010 Actual Outturn £'000
<b>Income</b>								
Fees, charges and other service income	(2,126)	(1,847)	(608)	(2,089)	(11,652)	(1,021)	(6,782)	(26,125)
Government grants and contributions	(18,072)		(673)	(516)	(3,188)	(4)	(36)	(22,489)
Total Income	(20,198)	(1,847)	(1,281)	(2,605)	(14,840)	(1,025)	(6,818)	(48,614)
<b>Expenditure</b>								
Employees	643	159	433	632	1,851	505	5,356	9,579
Past Service Pension								-
Premises	58	162	1	336	1,382	118	485	2,542
Transport	10	11	15	14	222	24	6	302
Supplies & Services	287	209	149	839	744	1063	549	3,840
Third Party Payments	17,843	3,991	30	908	4,301	73	132	27,278
Support service recharges	1,046	943	537	985	2,354	1736	-	7,601
Depreciation, amortisation and Impairment	2,124	320	41	1,289	7,839	79	290	11,982
Gross Expenditure	22,011	5,795	1,206	5,003	18,693	3,598	6,818	63,124
Net Expenditure	1,813	3,948	(75)	2,398	3,853	2,573	-	14,510
<b>Total cost of Services</b>								

**Note** that the total cost of service agrees to the Figures show on the Comprehensive Income & Expenditure Statement, before including Other Operating Expenditure, Financing & Investment Income & Expenditure and Taxation and Non-Specific Grants.





## 22. Segmental Reporting 2010/11

This table reconciles the data in the previous table back to the Comprehensive Income & Expenditure Statement

	Net Cost of Service £'000	Corporate Amounts £'000	Net Position £'000
<b>Income</b>			
Fees, charges and other service income	(24,515)		(24,515)
Government grants and contributions	(22,276)	(7,032)	(29,308)
Interest Receipts		(348)	(348)
Income from Council Tax		(6,139)	(6,139)
Return on Pension Assets		(1,728)	(1,728)
Gain on disposal of Non-current assets/Other Capital Receipts		(100)	(100)
Total Income	(46,791)	(15,347)	(62,138)
<b>Expenditure</b>			
Employees	9,395		9,395
Past Service Pension	(2,144)		(2,144)
Premises	1,458		1,458
Transport	303		303
Supplies & Services	4,045		4,045
Third Party Payments	29,761		29,761
Support service recharges	7,855		7,855
Depreciation, amortisation and Impairment	52,274		52,274
Interest Payments		3,778	3,778
Precepts & Levies		2,797	2,797
Payments to the Housing Capital Pool		155	155
Gross Expenditure	102,947	6,730	109,677
(Surplus)/Deficit on the Provision of Services	56,156	(8,617)	47,539

## 23. Depreciation Methodologies

Depreciation is generally provided on all fixed assets other than freehold land, and is charged from the date of purchase up to the date of disposal. Enhancements to the Council House stock are assumed to take place at the start of the year. The Council depreciates its assets on a straight line basis over the expected life of the asset after allowing for a residual value. An external valuer has assessed the useful life of all Council owned buildings, which have been determined as follows:-

	Estimated Useful Life (years)
<b>Buildings</b>	
Council Dwellings - Traditional Construction	60
Council Dwellings - Non-Traditional Construction	20 - 40
Garages	15
Operational Buildings	15 - 60
Non-Operational Buildings	30 - 55
<b>Other Assets</b>	
Vehicles, Plant & Equipment	3 - 10

## 24. Intangible Assets

	Software Licenses £'000	Other Intangible £'000	Total £'000
Original Cost	386	157	543
Amortisation to 1 April 2009	(192)	(47)	(239)
<b>Balance at 1 April 2009</b>	<b>194</b>	<b>110</b>	<b>304</b>
Original Cost	470	145	615
Amortisation to 1 April 2010	(286)	(64)	(350)
<b>Balance at 1 April 2010</b>	<b>184</b>	<b>81</b>	<b>265</b>
Reclassification	-	-	-
Expenditure in Year	80	-	80
Written off to revenue in year	(110)	(29)	(139)
<b>Balance at 31 March 2011</b>	<b>154</b>	<b>52</b>	<b>206</b>

The above intangible assets relate to current IT projects. Software licences are held for the Access to Services, Planning Public Access, Internal / External e-mail, CAPS, Finance, Revenues & Benefits and Housing IT projects. Other Intangibles mainly relate to consultancy costs for these projects. The assets are shown at historical cost and will be amortised over 5 years on a straight line basis. In accordance with the Council's policy, amortisation will occur from the date of purchase.

The amortisation cost of Housing Revenue Account (HRA) intangible assets directly attributable to the HRA is identified in the note to the Movement on the HRA Statement £27k (£47k 2009/10). However through the allocation of CEC charges for corporate buildings and projects both the HRA and General Fund receive a share of these costs and it is not possible to tell where these go.

## 25. Summary of Capital Expenditure and Fixed Asset Disposals

### Movement on Fixed Assets

The table below and on the following page shows the movement in value of the Council's Fixed Assets. The value of the Council's housing stock, and other properties owned by the Council are valued annually by a qualified firm of external valuers, either by way of a desk top review exercise, or a full valuation (carried out every 5 years). They also indicate the extent that any capital expenditure carried out on the housing stock has affected the value of individual properties.

	PROPERTY PLANT AND EQUIPMENT									
	Council Dwellings £'000	Other Land and Buildings £'000	Assets under Construction £'000	Surplus Assets £'000	Infra-structure £'000	Community Assets £'000	Vehicles Plant & Equipment £'000	Leased Vehicles & Equipment £'000	Total £'000	
<b>Tangible Assets</b>										
Certified Valuation as at 31 March 2008	165,207	11,816	394	980	96	159	1,623	-	180,275	
<b>Movement in 2008/2009</b>										
Additions	3,876	70	298	-	31	21	224	-	4,520	
Transfers	-	394	(394)	-	-	-	-	-	-	
Disposals	-	(1,182)	-	-	-	-	-	-	(1,182)	
- Gross Book Value	-	3	-	-	-	-	-	-	3	
- Acc Dep'n & Imp	-	-	-	-	-	-	-	-	-	
Revaluations	1,622	444	-	-	-	-	-	-	2,066	
- Gross Book Value	2,178	71	-	-	-	-	-	-	2,249	
- Acc Dep'n & Imp	(1,900)	(288)	-	(2)	-	(3)	(474)	-	(2,667)	
Dep'n for the Year	(25,964)	(1,139)	-	(176)	-	-	-	-	(27,279)	
Impairments	(116)	-	-	-	-	-	-	-	(116)	
- Gross Book Value										
- Acc Dep'n & Imp										
<b>NBV as at 31 March 2009</b>	<b>144,903</b>	<b>10,189</b>	<b>298</b>	<b>802</b>	<b>127</b>	<b>177</b>	<b>1,373</b>	<b>-</b>	<b>157,869</b>	
Certified Valuation as at 31 March 2009	144,903	10,189	298	802	127	177	1,373	-	157,869	
<b>Movement in 2009/2010</b>										
Additions	5,551	151	954	-	152	-	86	2,233	9,127	
Transfers	-	-	-	-	-	-	-	-	-	
Disposals	(48)	(307)	-	-	-	-	(236)	-	(591)	
- Gross Book Value	-	2	-	-	-	-	172	-	174	
- Acc Dep'n & Imp	-	-	-	-	-	-	-	-	-	
Revaluations	6,033	2,848	-	24	-	-	-	-	8,905	
- Gross Book Value	1,660	(347)	-	(1)	-	(3)	(382)	-	1,660	
- Acc Dep'n & Imp	(1,660)	(1,647)	-	(49)	-	-	-	(176)	(2,569)	
Dep'n for the Year	(5,174)	(377)	-	(49)	-	-	-	-	(6,870)	
Impairments	(377)	-	-	-	-	-	-	-	(377)	
- Gross Book Value										
- Acc Dep'n & Imp										
<b>NBV as at 31 March 2010</b>	<b>150,888</b>	<b>10,889</b>	<b>1,252</b>	<b>776</b>	<b>279</b>	<b>174</b>	<b>1,013</b>	<b>2,057</b>	<b>167,328</b>	
Certified Valuation as at 31 March 2010	150,888	10,889	1,252	776	279	174	1,013	2,057	167,328	
<b>Movement in 2010/2011</b>										
Additions	2,974	392	4,177	-	-	-	172	1,077	8,792	
Transfers	-	-	-	-	-	-	-	-	-	
Disposals	(125)	-	-	-	-	-	(12)	-	(137)	
- Gross Book Value	-	-	-	-	-	-	8	-	8	
- Acc Dep'n & Imp	-	-	-	-	-	-	-	-	-	
Revaluations	(7,693)	373	-	-	-	-	-	-	(7,320)	
- Gross Book Value - RR	(47,610)	199	-	-	-	-	-	-	(47,411)	
- Gross Book Value - SDPS	1,758	(373)	-	(1)	(25)	(5)	(367)	(471)	1,758	
- Acc Dep'n & Imp	(1,758)	(373)	-	(1)	(25)	(5)	(367)	(471)	(3,000)	
Dep'n for the Year	(2,607)	(177)	-	(20)	-	-	-	-	(2,783)	
Impairments	(367)	-	-	(3)	-	-	-	-	(367)	
- Gross Book Value - RR										
- Gross Book Value - SDPS										
- Acc Dep'n & Imp										
<b>NBV as at 31 March 2011</b>	<b>95,460</b>	<b>11,050</b>	<b>5,429</b>	<b>752</b>	<b>254</b>	<b>169</b>	<b>814</b>	<b>2,663</b>	<b>116,591</b>	
Certified Valuation as at 31 March 2011	95,460	11,050	5,429	752	254	169	814	2,663	116,591	

## 26. Information on Assets Held

31-Mar-09 (number)	31-Mar-10 (number)	Assets	31-Mar-11 (number)
		<b>Council Dwellings - HRA &amp; GF</b>	
532	532	Houses and Bungalows - 1 Bedroom	532
901	895	- 2 Bedroom	895
1,090	1,089	- 3 Bedroom	1,087
31	31	- 4 Bedroom	31
1	1	- 5 Bedroom	1
228	228	Flats, Bedsits and Maisonettes - 1 Bedroom	227
378	378	- 2 Bedroom	378
2	2	- 3 Bedroom	2
2	2	Multi Occupied Dwellings (Hostels)	2
<b>3,165</b>	<b>3,158</b>	<b>Total</b>	<b>3,155</b>
		<b>Car Parks, Parks and Open Spaces</b>	
13	13	Car Parks	13
20	21	Playgrounds	21
2	2	Sports Fields	2
<b>35</b>	<b>36</b>	<b>Total</b>	<b>36</b>
		<b>Vehicles, Plant and Equipment</b>	
		The major items are as follows:	
12	12	Environmental Health Vehicles & Plant	5
-	-	Leased Vehicles (Operated by Enterprise)	38
2	2	Community Safety Vehicles	-
15	-	Housing Maintenance Vehicles	-
5	5	Trailers	5
37	38	CCTV Cameras	38
<b>71</b>	<b>57</b>	<b>Total</b>	<b>86</b>
		<b>Operational Buildings</b>	
		The major items are as follows:	
1	1	Civic Centre	1
2	2	Sports Centres	2
2	2	Depots	2
4	4	Public Conveniences	4
14	14	Community Centres	14
<b>23</b>	<b>23</b>	<b>Total</b>	<b>23</b>

The changes in 2010/11 relate to the disposal of seven Environmental Health and two Community Safety vehicles. Assets acquired under finance leases and operated by the Council's streetscene contractor have been capitalised and included within the Council's asset register. Assets utilised under an operating lease would not appear on the balance sheet as they are not owned by the Council.

## 27. Valuation Information

The following statement shows the progress of the Council's programme for the revaluation of assets. The valuation of council dwellings, other land and buildings, is carried out by G Tyerman BSc, MRICS of Mouchel Parkman, who are external valuers. The basis of valuation is set out in the statement of accounting policies.

The five yearly full inspection and revaluation for all Land and Buildings other than Council Dwellings took place in 2009/10

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infra-structure £'000	Community Assets £'000	Total £'000
<b>Valued at historical cost:</b>	-	235	814	254	169	1,472
Valued at current value in:						
2010/2011	(55,428)	4,195	-	-	-	(51,233)
2009/2010	5,985	1,919	-	-	-	7,904
2008/2009	(20,304)	(1,901)	-	-	-	(22,205)
2007/2008	10,938	(175)	-	-	-	10,763
2006/2007	154,269	379	-	-	-	154,648
2005/2006	-	(286)	-	-	-	(286)
2004/2005	-	12,865	-	-	-	12,865
<b>Total</b>	<b>95,460</b>	<b>17,231</b>	<b>814</b>	<b>254</b>	<b>169</b>	<b>113,928</b>

## 28. Impairment Losses

During 2010/11 the Council has recognised impairment losses of £56.973m of which £7.966m was offset against previous revaluation gains in the revaluation reserve and the balance of £49.007m was charged to the appropriate service in the Comprehensive Income & Expenditure Statement.

	Impairment Charges to CIE&S £'000	Impairment Charges to Revaluation Reserve £'000	Total £'000
Council Dwellings	48,827	7,693	56,520
Other Land & Buildings	177	253	430
Surplus Assets	3	20	23
	<b>49,007</b>	<b>7,966</b>	<b>56,973</b>

The major element was the revaluation of Council Dwellings as a consequence of the change to the Social Value index from 47% to 31%.

## 29. Commitments Under Capital Contracts

The Council is required to disclose any significant commitments under capital contracts. These commitments relate to contractual obligations entered into but not discharged by 31 March 2011, and commitments to meet items in the proposed capital programme where contracts have not been entered into, which are not already reflected within the accounts.

The Council has authorised expenditure in future years of £10.445m, under its capital programme of which £2.523m has been contracted. A further £7.922m relates to schemes approved to proceed which are not yet contracted, these commitments include the following significant schemes:

## 29. Commitments Under Capital Contracts continued.....

	Expenditure approved and contracted at 31-Mar-11 £'000	Expenditure approved to proceed but not contracted at 31-Mar-11 £'000	Period of Investment
New Build	2,219	-	1 year
Improvements to land & buildings	267	283	1-2 years
Grants to other bodies	-	10	1 year
Equipment & IT Software	-	155	1 year
Home Improvement Grants & Survey	37	946	1-3 years
Modernisations to HRA land & buildings	-	6,528	1-3 years
<b>Total</b>	<b>2,523</b>	<b>7,922</b>	

## 30. Capital Expenditure and Financing

Capital expenditure and sources of financing during the year were as follows:

2008/2009 £'000	2009/2010 £'000		2010/2011 £'000	2010/2011 £'000
(19)	104	<b>Opening Capital Financing Requirement</b>		<b>2,268</b>
		<b>Capital investment</b>		
4,224	5,849	Property Plant & Equipment - Council Owned	3,275	
	2,233	Property Plant & Equipment - Leased	1,077	
298	984	Assets Under Construction	4,441	
63	72	Intangible assets	80	
1,175	2,369	Revenue Expenditure Funded from Capital Under Statute (REFCUS) - Grants	576	
	59	Revenue Expenditure Funded from Capital Under Statute (REFCUS) Loans	145	
<b>5,760</b>	<b>11,566</b>	<b>Total Capital Investment</b>		<b>9,594</b>
		<b>Sources of finance</b>		
(505)	(963)	Capital receipts	(2,063)	
(4,105)	(6,449)	Government grants and other contributions	(1,289)	
(930)	(1,701)	Sums Set Aside from Revenue (Assets/Soft Loans /REFCUS)	(1,529)	
(107)	(107)	MRP / Loans Fund Principal	(99)	
	(182)	MRP - Lease Principal	(475)	(5,455)
<b>94</b>	<b>2,268</b>	<b>Closing Capital Financing Requirement</b>		<b>6,407</b>

### 30. Capital Expenditure and Financing continued.....

		Explanation of movements in year		
220	220	Increase in underlying need to borrow (supported by government financial assistance)	220	
-	-	Increase in underlying need to borrow (unsupported by government financial assistance)	3,416	
	2,233	Assets acquired under finance leases	1,077	
(107)	(107)	MRP / Loans Fund Principal	(99)	
	(182)	MRP - Lease Principal	(475)	4,139
<b>113</b>	<b>2,164</b>	<b>Increase / (decrease) in Capital Financing Requirement</b>		<b>4,139</b>

In addition the Council is acting as host for payments on behalf of the York and North Yorkshire PCT element of the Community Project (New Hospital) to the contractor. In 2010/11 £9.727m (2009/10 £1.214m) has been paid on behalf of the PCT and this amount has been claimed from them and reimbursed.

#### Revenue Expenditure Funded from Capital Under Statute

This is expenditure which is classified as capital but it does not result in a tangible asset for the Council. Examples are where capital grants are given to third parties e.g. improvement grants or expenditure on property not owned by the Council. During 2010/11 the Council funded £0.721m (£2.428m 2009/10 & £1.175m 2008/09) of capital expenditure through this method, which related to the Renaissance Programme, Disabled Facilities Grants and Home Improvement Grants and Loans. In 2004 the Council made a loan to Selby Town Football Club of £27k. This Loan was not recognised on the balance sheet at the time and has been corrected in 2010/11

### 31. Leases

#### Authority as a Lessee

#### Finance Leases

The Council does not currently have any finance leases in its own right. However its contractor for the Street Scene Contract - Enterprise has finance leases for the vehicles that are used for delivering the service and as such these assets have to be included in the Council's balance sheet. In addition Wigan Leisure & Cultural Trust who run the leisure service on behalf of the Council, have leased gym equipment and this is also included in the council's balance sheet.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts.

31-Mar-10 £'000		31-Mar-11 £'000
2057	Vehicles, Plant, Furniture & Equipment (Vehicles)	2463
0	Vehicles, Plant, Furniture & Equipment (Equipment)	200
<b>2,057</b>		<b>2,663</b>

The Council is committed to making payments in respect of a Street Scene contract with Enterprise and a Leisure Management contract with Wigan Leisure Trust. The embedded financial leases form just part of the costs and as such should be seen as part of the whole costs of the service delivery.



## Finance Lease Liabilities

31-Mar-10 £'000		31-Mar-11 £'000
527	Not Later Than One Year	547
2150	Later than One Year and not later than five years	2065
715	Later than Five years	254
3,392		2,866

The costs in the table above include both principal and interest.

31-Mar-10 £'000		31-Mar-11 £'000
3150	Payment of Principle	2654
242	Finance Costs Payable in future years	212
3,392		2,866

## Operating Leases

Vehicles, Plant, Furniture and Equipment - the authority uses a warden call system, photocopiers and vehicles, financed under terms of an operating lease. The amount paid under these arrangements in 2010/11 was £97,536 (2009/10 £91,609, 2008/09 £93,927).

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

31-Mar 2009 £'000	31-Mar 2010 £'000		31-Mar 2011 £'000
92	83	Not later than one year	76
235	228	Later than one year and not later than five years	203
76	-	Later than five years	-
403	311		279

The expenditure charged to the Comprehensive Income & Expenditure Statement during the year in relation to these was:

31-Mar-10 £'000		31-Mar-11 £'000
92	Minimum lease payments	97
-	Contingent rents	-
-	Sub lease payments (receivable)	-
92		97

The expenditure charged to the Comprehensive Income & Expenditure Statement during the year in relation to these was:

## Operating Leases continued.....

31-Mar-10 £'000		31-Mar-11 £'000
-	Environment	3
76	HRA	76
16	Central Services	18
92		97

\*In addition the Council sold its Portholme Road Depot to Tesco Stores in 2008/09. The Council leased the depot back at a peppercorn rent for two years until December 2010.

### Authority as a Lessor

- i) Leasing rentals received from Lessees in the year were £49k (£168k 2009/10, £163k 2008/09).
- ii) The value of council assets used in providing operating leases is £1.808m (£1.891m 2009/10, £1.709m 2008/09).

Finance Leases - Selby District Council has no finance lease for which it acts as a lessor.

Operating Leases - The Council acts as a lessor for a number of assets which range from industrial units to room leases. All these transactions are accounted for as operating leases.

The rentals receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

### 32. Assets Recognised Under PFI Arrangements

The Council is party to a Private Finance Initiative (PFI) scheme with South Yorkshire Housing to build social housing. However, the Council does not recognise any assets in its balance sheet under PFI arrangements. This is because they are the property of South Yorkshire Housing Association (SYHA) and will remain in their ownership on expiry of the contract. However in 2010/11 the authority was committed to making payments of £322,750. These payments were forecast originally to increase each year reaching £510k per annum from 2010 under a contract with SYHA for the provision of 250 homes to rent. During 2010/11 it was agreed with the Government that the 153 homes already available under this scheme would be the final total. The forecast for payments has therefore been recalculated based on this number of units. The contract expires in 2035.

### 33. Financial Instrument Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments. Notes 59 and 60 on pages 81 to 85 provide further information.

Long-Term	31-Mar-09 £'000	31-Mar-10 £'000	31-Mar-11 £'000
<b>Borrowings</b>			
Financial Liabilities at amortised cost - Borrowings	8,700	10,085	10,081
Financial Liabilities at amortised cost - Leases	-	2,051	2,163
<b>Total Borrowings</b>	<b>8,700</b>	<b>12,136</b>	<b>12,244</b>
<b>Investments &amp; Long Term Debtors</b>			
Investments	9,409	2,008	-
Available-for-sale financial assets	16	15	15
<b>Total Investments</b>	<b>9,425</b>	<b>2,023</b>	<b>15</b>
Loans & Receivables (See Note 31)	134	191	299
<b>Total Investments &amp; Long Term Debtors</b>	<b>9,559</b>	<b>2,214</b>	<b>314</b>

Current	31-Mar-09 £'000	31-Mar-10 £'000	31-Mar-11 £'000
<b>Borrowings</b>			
Financial Liabilities at amortised cost - Borrowings	2,516	1,216	2,213
Financial Liabilities at amortised cost - Leases	-	342	491
<b>Total Borrowings</b>	<b>2,516</b>	<b>1,558</b>	<b>2,704</b>
<b>Short Term Investments Debtors</b>			
Investments	18,804	20,926	18,133
Available-for-sale financial assets	-	-	-
<b>Total Investments</b>	<b>18,804</b>	<b>20,926</b>	<b>18,133</b>
Loans & Receivables (See Note 31)	59	51	52
<b>Total Short Term Investments &amp; Debtors</b>	<b>18,863</b>	<b>20,977</b>	<b>18,185</b>

### 34. Long Term Debtors

	Long-Term		
	31-Mar-09 £'000	31-Mar-10 £'000	31-Mar-11 £'000
<b>Long Term Debtors - Loans &amp; Receivables</b>			
Soft Loans	50	42	61
Employee Loans	42	55	40
Mortgages - Ex Council Houses	26	21	14
Repair Assistance Loans	-	59	170
Transferred Services	16	14	14
<b>Total Long Term Debtors</b>	<b>134</b>	<b>191</b>	<b>299</b>

	Current		
	31-Mar-09 £'000	31-Mar-10 £'000	31-Mar-11 £'000
<b>Long Term Debtors - Loans &amp; Receivables</b>			
Soft Loans	9	8	8
Employee Loans	23	37	35
Mortgages - Ex Council Houses	27	5	6
Repair Assistance Loans	-	-	2
Transferred Services	-	1	1
<b>Total Long Term Debtors</b>	<b>59</b>	<b>51</b>	<b>52</b>

### 35. Financial Instruments Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement and Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

	Financial Liabilities	Financial Assets		Total £'000
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Available-for-sale assets £'000	
Interest Expense	(897)	-	-	(897)
Losses on derecognition	-	-	-	-
Impairment Losses	-	-	-	-
<b>Interest Payable &amp; Similar Charges</b>	<b>(897)</b>	-	-	<b>(897)</b>
Interest income	-	403	1	404
Gains on derecognition	-	-	-	-
<b>Interest &amp; Investment Income</b>	<b>-</b>	<b>403</b>	<b>1</b>	<b>404</b>
Gains on Revaluation	-	-	-	-
Losses on Revaluation	-	-	-	-
Amounts recycled to the I&E Account after impairment	-	-	-	-
<b>Surplus arising on the revaluation of financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net gain/(loss) for the year</b>	<b>(897)</b>	<b>403</b>	<b>1</b>	<b>(493)</b>

### 36. Inventories

	Domestic Bins £'000	Leisure Centres £'000	Other £'000	Building Maintenance £'000	Total £'000
Opening Balance 2009/10	6	13	4	32	<b>55</b>
Purchases in Year	56	46	20	262	<b>384</b>
Usage in Year	(62)	(59)	(20)	(270)	<b>(411)</b>
Closing Balance	-	-	<b>4</b>	<b>24</b>	<b>28</b>
Opening Balance 2010/11	-	-	4	24	<b>28</b>
Purchases in Year	-	-	23	253	<b>276</b>
Usage in Year	-	-	(24)	(260)	<b>(284)</b>
Closing Balance	-	-	<b>3</b>	<b>17</b>	<b>20</b>

Leisure Centre stock is now held by Wigan Leisure & Culture Trust and Wheeled Bins held by Enterprise, who manage the Councils Leisure and Streetscene services.

### 37. Debtors & Prepayments

The debtors for 2008/09 have been restated for the changes in accounting for the collection fund.

31/03/2009. Restated £'000	31/03/2010. Restated £'000		31-Mar-11 £'000
		Amounts falling due in one year:	
280	491	Prepayments	377
272	785	HM Revenue Customs & Excise	398
709	3,956	Other Government Departments	4,306
729	469	Other Local Authorities	474
-	401	York & North Yorkshire PCT	-
211	229	Rent payers	202
3,214	1,090	Sundry Debtors	1,312
338	-	Miscellaneous	-
9	8	Collection Fund:	
610	482	- NNDR	11
		- Council Tax	385
<b>6,372</b>	<b>7,911</b>		<b>7,465</b>
		Less Provision for Bad Debts:	
(1,876)	(104)	Housing	(52)
(326)	(345)	General Fund	(389)
(118)	(93)	Collection Fund:	
		- Council Tax	(69)
<b>(2,320)</b>	<b>(542)</b>		<b>(510)</b>
<b>4,052</b>	<b>7,369</b>	<b>Total</b>	<b>6,955</b>

### 38. Creditors

The analysis of creditors for 2009/10 have been restated to enable comparisons across the classifications to be made.

31-Mar-09 Restated £'000	31-Mar-10 Restated £'000		31-Mar-11 £'000
186	19	HM Revenue Customs & Excise	64
563	525	Other Government Departments	-
130	111	Other Local Authorities	281
188	196	Rent Payers	215
185	163	Council Tax	140
614	717	Section 106 Receipts	744
1,871	2,729	Sundry Creditors	2,569
101	-	Miscellaneous	
<b>3,838</b>	<b>4,460</b>	<b>Total</b>	<b>4,013</b>

### 39. Section 106 Receipts

Section 106 receipts are monies paid to the Council by Developers as a result of the grant of planning permission, where works are required to be carried out or new facilities provided as a condition of that permission (e.g. creation of a play area). The sums are restricted to being spent only in accordance with the agreement concluded with the Developer. The balances of Section 106 receipts held by the Council during the year were as follows:

	Balance at 31-Mar-09 £'000	Balance at 31-Mar-10 £'000	Income £'000	Expenditure £'000	Balance at 31-Mar-11 £'000
Open Space Schemes	595	544	213	(202)	555
Health Care Facilities	6	66	-	-	66
Education	-	43	54	(40)	57
Public Transport / Traffic	-	42	-	-	42
Waste & Recycling	-	22	2	-	24
Selby District Council Schemes	13	-	-	-	-
<b>Total</b>	<b>614</b>	<b>717</b>	<b>269</b>	<b>(242)</b>	<b>744</b>

Parish Councils can apply for the release of funds from the Open Space Schemes monies applicable to their Parish by submitting a proposed scheme to the Council. On approval of the scheme the monies will be paid over to the Parish Council in staged payments. The contributions from Developers relating to traffic management, public transport, education and health care schemes are received by the Council and then paid over to the appropriate authority.

### 40. Provisions

The purpose of the provisions has been reviewed during 2010/11 with the balances on some transferred to earmarked reserves and others returned to the General Fund as they are no longer required. The notes below describe the action taken for each provision.

	Balance at 31-Mar-09 £'000	Balance at 31-Mar-10 £'000	Movement in 2010/2011 £'000	Balance at 31-Mar-11 £'000	See Notes Below
Open Space Maintenance Contributions	48	15	(15)	-	1
Sherburn Workshop Phase I & II	43	44	(44)	-	2
Swordfish Way Sherburn	15	12	(12)	-	3
The Vivars	6	-	-	-	
Hurricane Close	1	-	-	-	
Planning Inquiries	31	31	(31)	-	4
Asset Valuation Costs	9	3	(3)	-	5
Taxi Survey	4	4	(4)	-	6
Employers Costs	-	-	53	53	7
<b>Total</b>	<b>157</b>	<b>109</b>	<b>(56)</b>	<b>53</b>	

#### 1. Open Space Maintenance Contributions

This provision was made to fund future grounds maintenance costs on a number of play areas and open spaces which have been adopted by the council. The balance on this provision has been transferred to an earmarked reserve for Open Space Maintenance

#### 40. Provisions continued.....

##### 2. Sherburn Workshop Phase I & II

This provision was used to fund future repairs and maintenance on Sherburn phase I and II industrial units. Each year a contribution was made either to or from this provision depending on the level of maintenance required. The balance on this provision was utilised in the year for repairs.

##### 3. Swordfish Way Sherburn

This provision was used to fund future repairs and maintenance on Swordfish Way industrial units. Each year a contribution was made either to or from this provision depending on the level of maintenance required. The balance has been transferred to an earmarked reserve for industrial units.

##### 4. Planning Inquiries

This provision was used to fund costs relating to the Local Plan Inquiry. The Council has an adequate earmarked reserve for planning inquiries and therefore the balance has been returned to the General Fund.

##### 5. Asset Valuation Costs

To provide funding for Asset revaluations. This provision is no longer required and the balance has been returned to the General Fund.

##### 6. Taxi Survey

To provide for Hackney Carriage surveys to enable the Council to form a view on the number of licence plates to be issued. This provision is no longer required and the balance has been returned to the General Fund.

##### 7. Employers Costs

To provide for the costs of staff due to be made redundant in 2011/12 as a consequence of decisions taken in 2010/11.

#### 41. Capital Grants Receipts In Advance

These are sums of money that have been received from the Government and other organisations to contribute towards the costs of fixed assets and other capital expenditure such as grants to other organisations. These sums of money have conditions attached to them, which remain outstanding at the Balance Sheet date. These conditions can include grants having to be repaid if they cannot be utilised for the intended purpose - such as Single Capital Pot Grants and Disabled Facilities Grants. When the conditions for the grant are met it is transferred to the Comprehensive Income and Expenditure Statement. Should the conditions not be met then the grant is repaid.

The following table shows the movement on the above account:-

Balance at 31-Mar-09	Balance at 31-Mar-10		Amount Received	Amount Used	Balance at 31-Mar-11
£'000	£'000		£'000	£'000	£'000
19	14	Government Grants	46	(14)	46
<b>19</b>	<b>14</b>		<b>46</b>	<b>(14)</b>	<b>46</b>



## 42. Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans. These Reserves can be analysed between Usable - i.e. the balances are available to support the delivery of Council Services and Unusable i.e. they are kept to manage accounting processes for non-current assets, financial instruments, and retirement benefits and do not represent usable resources for the Authority.

2008/09 £'000	2009/10 £'000		2010/11 £'000	Note
		<b><u>Usable Reserves</u></b>		
2,787	2,820	General Fund	2,835	43
7,991	7,470	Earmarked Reserves	7,865	44
2,589	2,559	Housing Revenue Account	1,671	45
882	-	Major Repairs Reserve	-	46
2,866	2,065	Capital Receipts Reserve	94	47
257	222	Capital Grants Unapplied	228	48
<b>17,372</b>	<b>15,136</b>	<b>Total</b>	<b>12,693</b>	
		<b><u>Unusable Reserves</u></b>		
240	10,116	Revaluation Reserve	2,459	49
(20,365)	(24,749)	Pensions Reserve	(18,496)	54
157,888	155,337	Capital Adjustment Account	108,242	50
53	26	Deferred Capital Receipts	20	51
9	(3)	Financial Instruments Adjustment Account	(14)	41
(4)	(5)	Available-for-Sale Financial Instruments Reserve	(5)	53
(52)	57	Collection Fund Adjustment Account	116	55
<b>137,769</b>	<b>140,779</b>	<b>Total</b>	<b>92,322</b>	

### Usable Reserves

## 43. General Fund

This is a non-earmarked balance which is set aside to cover unforeseen events and the risk of inflation increases. The Council has a minimum level for this balance set at £1.5m. Any amounts above this may be used to support the budget and future council tax levels within the context of the Council's financial strategy.

2008/09 £'000	2009/10 £'000		2010/11 £'000
2,808	<b>2,787</b>	<b>Balance brought forward at 1 April 2010</b>	<b>2,820</b>
(21)	33	Movement in Year	15
<b>2,787</b>	<b>2,820</b>	<b>Balance carried forward at 31 March 2011</b>	<b>2,835</b>

#### 44. Earmarked Revenue Reserves

The Council has the following reserves which have been set up voluntarily to earmark resources for future spending plans. The major reserves, and the intended purpose of those reserves are described in more detail below:-

	Balance at 31-Mar-09 £'000	Balance at 31-Mar-10 £'000	Transfers In £'000	Transfers Out £'000	Balance at 31-Mar-11 £'000	See Notes Below
Abbey Leisure Centre	257	49	-	(49)	-	1
Building Repairs	902	312	120	(87)	345	2
Car Loan Bonds	4	5	-	-	5	3
Carried Fw'd Budgets	509	492	2,105	(492)	2,105	4
Commutation Surplus	8	7	-	(1)	6	5
Contingency	150	150	3	(3)	150	6
Customer Centre	44	-	-	-	-	
District Election	-	35	35	-	70	7
HRA Special Projects	1,090	590	-	(590)	-	8
ICT Replacement	436	481	181	(247)	415	9
Industrial Units	-	-	54	(12)	42	10
PFI Scheme	2,125	2,426	334	(333)	2,427	11
ROS Maintenance	-	-	11	-	11	12
Planning Delivery Grant	-	632	-	(632)	-	13
Planning Inquiries	100	100	-	-	100	14
Special Projects	1,017	967	-	-	967	15
Sherburn Amenity Land	10	10	-	-	10	16
Spend to Save	685	545	71	(63)	553	17
Tadcaster Central Area	496	496	-	(13)	483	18
Transport Renewal Fund	140	155	3	-	158	19
Wheeled Bin Hardship	18	18	-	-	18	20
<b>Total</b>	<b>7,991</b>	<b>7,470</b>	<b>2,917</b>	<b>(2,522)</b>	<b>7,865</b>	

1. Projects at Abbey Leisure Centre.
2. To fund repairs and improvements to the Corporate Buildings, Depots and Leisure Centres.
3. To cover the potential event that an employee defaults on the repayment of their car loan.
4. To fund budgets carried forward into 2010/11 for schemes which have been delayed from 2009/10.
5. Balance of monies received when DCLG repaid debt on behalf of the Council in respect of Improvement Grants in 1993. This is being transferred to General Fund over the life of the loans repaid.
6. To fund contingency items throughout the year.
7. To spread the cost of funding expenditure on the District Elections every 4 years.
8. To fund investment to be made in the council house stock.
9. To fund the purchase new computer equipment and upgrade of systems.

#### Earmarked Reserves continued....

10. To hold funds paid by tenants for repairs and maintenance to the industrial units. These funds were previously held as a provision.
11. To hold government grant and SDC contributions to pay for the housing PFI project .
12. To hold funds received through S106 agreements for recreation and open spaces maintenance that the Council is responsible for.
13. To hold Planning Delivery Grant monies pending use.
14. To fund costs associated with Planning Inquiries.
15. To fund capital or 'one-off' revenue projects.
16. Balance of budget required for works on land at Sherburn undertaken during 1996.
17. To provide 'up front' investment for initiatives that generate revenue budget savings.
18. To provide funds for the redevelopment of the Central Area in Tadcaster.
19. Transport fund from which new vehicles are purchased. The balance covers the existing fleet.
20. To provide bins for those on low income / pensions who cannot afford to purchase.

#### 45. Housing Revenue Account

This is a non-earmarked balance which is set aside to cover unforeseen events and the risk of inflation increases within the Housing Revenue Account. The Council has a minimum level for this balance set at £1.5m. Any amounts above this may be used to support the budget within the context of the Council's financial strategy.

2008/09 £'000	2009/10 £'000		2010/11 £'000
<b>2,316</b>	<b>2,589</b>	<b>Balance brought forward at 1 April 2010</b>	<b>2,559</b>
273	(30)	Movement in Year	(888)
<b>2,589</b>	<b>2,559</b>	<b>Balance carried forward at 31 March 2011</b>	<b>1,671</b>

#### 46. Major Repairs Reserve

This is an earmarked balance which is used to support capital expenditure on the Council's Housing stock. Its purpose was to hold funds for the decent homes programme until such time as they were required. This project was completed in 2010/2011.

2008/09 £'000	2009/10 £'000		2010/11 £'000
<b>1,946</b>	<b>882</b>	<b>Balance brought forward at 1 April 2010</b>	-
(3,037)	(4,048)	Funding of HRA Capital Programme	(816)
1,937	1,827	Transfer from Capital Adjustment Account re Depreciation	1,998
36	1,339	Transfer to HRA Excess Dep'n over MRA	(1,182)
<b>882</b>	-	<b>Balance carried forward at 31 March 2011</b>	-

#### 47. Usable Capital Receipts Reserve

Usable capital receipts are created from asset sales and other capital receipts call intangibles which are assets that have no physical substance including; receipts from loans, right to buy discounts and covenants which are used to finance capital expenditure. They are held in this reserve until such time as they are required.

2008/09 £'000	2009/10 £'000		2010/11 £'000
-	<b>2,866</b>	<b>Balance brought forward at 1 April 2010</b>	<b>2,065</b>
3,428	212	Amounts receivable in Year - SDC Assets	200
-	33	Amounts receivable in Year - Intangibles	47
(521)	(963)	Amounts applied to finance new capital investment in Year	(2,063)
(41)	(83)	Contribution of Housing Capital Receipts to Government Pool	(155)
<b>2,866</b>	<b>(801)</b>	<b>Increase / (decrease) in realised capital resources</b>	<b>(1,971)</b>
<b>2,866</b>	<b>2,065</b>	<b>Balance carried forward at 31 March 2011</b>	<b>94</b>

#### 48. Capital Grants Unapplied Reserve

This reserve holds grants and contributions that the Council has received from central government and other organisations towards the costs of capital expenditure that have not been used at the balance sheet date, but which will be used in the future. The contributions held in this reserve do not have conditions attached to either the timing of their use or the purpose for which they may be utilised or both.

Balance at 31-Mar-09 £'000	Balance at 31-Mar-10 £'000		Government Grants £'000	Other Grants £'000	Balance at 31-Mar-11 £'000
84	257	Opening Balance	187	35	222
173	-	Receipts in Year	7	-	7
-	(35)	Appropriation to Capital Adjustment	(1)	-	(1)
<b>257</b>	<b>222</b>	<b>Closing Balance</b>	<b>193</b>	<b>35</b>	<b>228</b>

## Unusable Reserves

### 49. Revaluation Reserve

This reserve is the store of gains on revaluation of fixed assets not yet realised through sales

2008/09 £'000	2009/10 £'000		2010/11 £'000
<b>12,527</b>	<b>240</b>	<b>Balance brought forward at 1 April 2010</b>	<b>10,116</b>
(11,690)	12,037	Gains arising from Fixed Asset Revaluations	278
(64)	(83)	Decrease of current value depreciation over historical cost depreciation	(71)
(374)	(111)	Revaluation balances written out following the disposal of fixed assets	-
(159)	(1,967)	Revaluation balances consumed following the impairment of fixed assets	(7,864)
<b>(12,287)</b>	<b>9,876</b>	<b>Total movement on reserve in 2010/2011</b>	<b>(7,657)</b>
<b>240</b>	<b>10,116</b>	<b>Balance carried forward at 31 March 2011</b>	<b>2,459</b>

### 50. Capital Adjustment Account

This reserve is the store for capital resources set aside to meet past expenditure.

2008/09 £'000	2009/10 £'000		2010/11 £'000
<b>167,794</b>	<b>157,888</b>	<b>Balance brought forward at 1 April 2010</b>	<b>155,337</b>
521	963	Capital Expenditure Financed from Capital Receipts	2,063
944	1,667	Capital expenditure financed from revenue	1,465
396	311	Capital Expenditure Financed From Grant	58
3,037	4,048	Major Repairs grant applied to capital investment in Year	816
107	107	Minimum Revenue Provision - Borrowing	99
-	182	Minimum Revenue Provision - Leases	475
(11,997)	(7,599)	Costs associated with depreciation and impairment	(50,029)
(1,937)	(1,827)	Transfer to Major Repairs Reserve re HRA depreciation	(1,998)
438	193	Transfer from Revaluation Reserve re Depreciation, Disposals & Impairments	71
(1,182)	(417)	Transfer from Statement of Movement on General Fund Balance re disposals	(3)
(10)	49	Soft Loan Adjustment	126
(223)	(228)	Revenue Expenditure Funded From Capital Under Statute	(238)
<b>(9,906)</b>	<b>(2,551)</b>	<b>Total movement on the account in Year</b>	<b>(47,095)</b>
<b>157,888</b>	<b>155,337</b>	<b>Balance carried forward at 31 March 2011</b>	<b>108,242</b>

## 51. Deferred Capital Receipts

Deferred Capital Receipts are amounts derived from sales of assets which will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of Council Houses which form the part of loans and receivables in note 33 and 34 on page 64 and 65.

2008/09 £'000	2009/10 £'000		2010/11 £'000
80	53	<b>Balance brought forward at 1 April 2010</b>	26
(27)	(27)	Principal Repayments in year	(6)
(27)	(27)	<b>Decrease on the account</b>	(6)
53	26	<b>Balance carried forward at 31 March 2011</b>	20

The Available-for-Sale Financial Instruments Reserve and the Financial Instruments Adjustment Account are two reserves that help to manage the accounting requirements for financial instruments. Financial instruments are required to be carried at fair value and the outcome of proper accounting practices for the Comprehensive Income and Expenditure Statement is different from that required for assessing the impact on local taxes. These reserves are matched by borrowings and investments within the Balance Sheet and are not resources available to the authority.

## 52. Financial Instruments Adjustment Account

This reserve is a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments. The financial instruments adjustment account provides a balancing mechanism between the different rates at which gains and losses such as premiums on the early repayment of debt are recognised under the Code and are required by statute to be met from the General Fund.

2008/09 £'000	2009/10 £'000		2010/11 £'000
21	9	<b>Balance brought forward at 1 April 2010</b>	(3)
(14)	(14)	Overhanging Loan Discounts	(14)
1	1	Overhanging Loan Premiums	1
1	1	Soft Loan adjustment	2
(12)	(12)	<b>Total movement on the account in Year</b>	(11)
9	(3)	<b>Balance carried forward at 31 March 2011</b>	(14)

## 53. Available-for-Sale Financial Instruments Reserve

The available-for-sale financial instruments reserve records unrealised revaluation gains arising from holding available-for-sale investments, plus any unrealised losses that have not arisen from impairment of the assets.

2008/09 £'000	2009/10 £'000		2010/11 £'000
(4)	(4)	<b>Balance brought forward at 1 April</b>	(5)
-	(1)	Loss (Gain) on Revaluation	-
-	(1)	<b>Total movement on the reserve in Year</b>	-
(4)	(5)	<b>Balance carried forward at 31 March</b>	(5)

## 54. Pensions Reserve

Information regarding this reserve is shown in Note 58 Retirement Benefits - Assets and Liabilities in Relation to Retirement Benefits

## 55. Collection Fund Adjustment Account

From April 2009, the Council Tax income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. 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.

	£'000
<b>2008/09 Restatement</b>	
<b>Balance brought forward at 1 April 2009</b>	-
Appropriation (to)/from Collection Fund re 2008/09	110
Transfer (to)/from Statement of Movement on General Fund Balance re 2008/09	(162)
<b>Total movement on the account in 2008/2009</b>	<b>(52)</b>
<b>Balance carried forward at 31 March 2009</b>	<b>(52)</b>
<b>Balance brought forward at 1 April 2009</b>	<b>(52)</b>
Transfer (to)/from Statement of Movement on General Fund Balance re 2009/10	109
<b>Total movement on the account in 2009/2010</b>	<b>109</b>
<b>Balance carried forward at 31 March 2010</b>	<b>57</b>
<b>2010/11 Transactions</b>	
<b>Balance brought forward at 1 April 2010</b>	<b>57</b>
Transfer (to)/from Statement of Movement on General Fund Balance 2010/11	59
<b>Balance carried forward at 31 March 2011</b>	<b>116</b>

## 56. Contingent Liabilities

1. The Council has a potential contingent liability following a successful judicial review to reopen an inquiry. It is not possible to forecast the outcome or estimate costs at this point in time.

2. The Council has the following potential judicial reviews as a consequence of planning applications and
- (a) Former Little Chef Bramham Crossroads - this has subsequently been withdrawn
  - (b) Newton Kyme
  - (c) Cleek Hall Windfarm application
  - (d) Woodlane Windfarm application
  - (e) Bishopwood Windfarm application
  - (f) Darrington Windfarm application
  - (h) Central Area Car Park Tasdcaster

The estimated costs associated with these potential liabilities is £1.050m should all the cases go against the Council

## **56. Contingent Liabilities continued .....**

3. The Council is facing the potential of an Employment Tribunal for unfair dismissal. There is a low risk to the Council but if successful there is no ceiling on the compensation.
4. Personal Search Litigation – This is currently being managed as class action with 200 + other councils coordinated by the Local Government Association. If lost there will be a liability to pay other sides costs but also the approximate £90,000 in personal search fees we have received over the years could become liable for repayment.
5. Core Strategy - Indications suggest a Judicial Review will be issued against this but nothing yet has been formalised.

## **57. Contingent Assets**

The Council has a pre-emption agreement with Tesco Stores Ltd. Under the provisions of that agreement Tesco's will buy part of the Civic Centre site when the Council vacates the site and moves to the new Civic Centre between August and December 2011. The legal documentation to complete the sale is now being drafted and will be completed by no later than 25 October 2011.

## **58. Retirement Benefits**

### **Participation in Pension Schemes**

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

The authority participates in the Local Government Pension Scheme, administered by North Yorkshire County Council and called the North Yorkshire Pension Fund - this is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.



## Transactions Relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the reported net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made 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 in 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:

2008/2009 £'000	2009/2010 £'000	North Yorkshire Pension Fund	2010/2011 £'000
		<b>Comprehensive Income and Expenditure Statement</b>	
		<i>Net Cost of Services:</i>	
970	619	current service cost	971
-	-	past service costs (gains)	(2,954)
84	52	settlement and curtailments	132
		<i>Financing and Investment Income and Expenditure:</i>	
2,706	2,646	interest cost	2,881
(1,802)	(1,096)	expected return on assets in the scheme	(1,728)
<b>1,958</b>	<b>2,221</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>(698)</b>
		<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	
1,864	3,461	actuarial (gains) and losses	(4,225)
<b>3,822</b>	<b>5,682</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(4,923)</b>
		<b>Movement in Reserves Statement</b>	
(1,958)	(2,221)	reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	698
		<i>Actual Amount charged against the General Fund Balance for pensions in the year:</i>	
1,104	1,298	employers' contributions payable to the scheme	1,330
<b>(854)</b>	<b>(923)</b>	<b>Pension Net Charges Adjustment</b>	<b>2,028</b>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a gain of £4.225m (£3.461m loss 2009/10) as a result of changes to the scheme benefits & a reduction in liabilities.

## Assets and Liabilities in Relation to Post-employment Benefits

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March are as follows:

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

2008/09 £'000	2009/10 £'000		2010/11 £'000
<b>44,568</b>	<b>37,505</b>	<b>1 April 2010</b>	<b>51,799</b>
970	619	Current Service Cost	971
2,706	2,646	Interest Cost	2,881
358	364	Contributions by Scheme Participants	346
-	-	Past Service Costs	(2,954)
(9,444)	12,076	Actuarial (Gains) and Losses	(5,737)
84	52	Curtailements	132
(1,737)	(1,463)	Benefits Paid	(2,010)
<b>37,505</b>	<b>51,799</b>	<b>31 March 2011</b>	<b>45,428</b>

Reconciliation of fair value of the scheme assets:

The improved Pension position is as a result of the decision by the HM Treasury to change the basis of valuation of liabilities by linking Pension increases to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI) from April 2011.

2008/09 £'000	2009/10 £'000		2010/11 £'000
<b>26,947</b>	<b>17,140</b>	<b>1 April 2010</b>	<b>27,050</b>
1,802	1,096	Expected Rate of Return	1,728
(11,334)	8,615	Actuarial Gains and (Losses)	(1,512)
1,104	1,298	Employer Contributions	1,330
358	364	Contribution by Scheme Participants	346
(1,737)	(1,463)	Benefits Paid	(2,010)
<b>17,140</b>	<b>27,050</b>	<b>31 March 2011</b>	<b>26,932</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experience in the respective markets.

The actual return on scheme assets in the year was £2.130m (£9.711m 2009/10).

### Scheme History

	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000
Present Value of Liabilities	(41,118)	(44,568)	(37,505)	(51,799)	(45,428)
Fair Value of Assets	28,917	26,921	17,140	27,050	26,932
<b>Surplus / (Deficit)</b>	<b>(12,201)</b>	<b>(17,647)</b>	<b>(20,365)</b>	<b>(24,749)</b>	<b>(18,496)</b>

The liabilities show the underlying commitments that the authority has in the long-run to pay post employment (retirement) benefits. The total liability of £45.428m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £18.496m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £1.268m.

### 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 future years dependent on assumptions about mortality rates, salary levels, etc. North Yorkshire Pension Fund liabilities have been assessed by Mercer Limited, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2010.

The main assumptions used in their calculations have been:

At 31-Mar-09	At 31-Mar-10		At 31-Mar-11
		Long-term expected rate of return on assets in the scheme	
7.50%	7.50%	Equity Investments	7.50%
4.00%	4.50%	Government Bonds	4.40%
6.00%	5.20%	Other Bonds	5.10%
0.50%	0.50%	Cash / Liquidity	0.50%
7.50%	0.00%	Other	0.00%
		Longevity at 65 for current pensioners (in years):	
21.20	21.20	Men	22.10
24.00	24.10	Women	24.70
		Longevity at 65 for future pensioners (in years):	
22.20	22.20	Men	23.50
25.00	25.00	Women	26.30
3.30%	3.30%	Rate of RPI inflation	3.40%
-	2.80%	Rate of CPI inflation	2.90%
5.05%	5.05%	Rate of increase in salaries	4.65%
3.30%	3.30%	Rate of increase in pensions	2.90%
7.10%	5.60%	Rate for discounting scheme liabilities	5.50%
50.00%	50.00%	Take up of option to convert annual pension into retirement lump sum	50.00%

The Local Government Pension Scheme's assets consist of the following categories by proportion of the total assets held:

At 31-Mar-09 %	At 31-Mar-10 %		At 31-Mar-11 %
74.8%	76.2%	Equity Investments	74.7%
8.5%	7.8%	Government Bonds	8.9%
11.2%	13.9%	Other Bonds	15.9%
4.4%	2.1%	Cash/Liquidity	0.5%
1.1%	0.0%	Other Assets	0.0%
<b>100.0%</b>	<b>100.0%</b>		<b>100.0%</b>

## History of Experience Gains and Losses

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

	2006/07		2007/08		2008/09		2009/10		2010/11	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Differences between the expected and actual return on assets	143	0.5	(3,883)	14.4	7,704	66.0	8,615	31.8	(1,512)	5.6
Experience gains and losses on liabilities	0	0	1,155	2.6	0	0.0	0	0.0	5,857	12.9

Further information can be found in the North Yorkshire Pension Fund's Annual Report which is available upon request from Financial Services, County Hall, Northallerton, DL7 8AL.

## 59. Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

The Council has used the fair value calculation provided by Sector Treasury Services for consistency as it has both PWLB and Market Debt. Sector uses the new borrowing rate, whereas the PWLB uses the premature repayment rate which gives a variation in the valuation. The PWLB fair value of its debt is £4.67m, the Sector fair value for the same debt is £4.01m.

- estimated interest rates at 31 March 2011 of 2.01% - 5.31% for PWLB borrowing, 3.89% for LGS Stock.
- estimated interest rates of between 0.48% - 1.91% for external loans receivable interest for deposits placed with financial institutions;
- in addition the following which form part of the loans receivable total - mortgages advanced to council tenants under the right to buy, the interest free loan to the voluntary services for the community house project, home improvement loans and employee car loans are valued at carrying amount;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount;

## 59. Fair Value of Assets and Liabilities Carried at Amortised Cost continued ...

	31 March 2009		31 March 2010		31 March 2011	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities	11,216	15,128	11,301	14,468	12,294	15,111
<p>The fair value is higher than the carrying amount because the authority's portfolio of loans are all at fixed rates where the interest rate payable is higher than for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount that the authority would have to pay if the lender requested or agreed to early repayment of the loans.</p>						
Loans and Receivables	(28,406)	(28,921)	(23,176)	(22,773)	(18,377)	(20,291)
<p>The fair value is marginally higher than the carrying amount because the authority's portfolio of investments consists of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the balance sheet date. This guarantee to receive interest above current market rates increases the amount that the authority would receive if it agreed to early repayment of the loans.</p>						

## 60. Nature and Extent of Risks Arising From Financial Instruments

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

Credit Risk - the possibility that other parties might fail to pay amounts due to the authority;

Liquidity Risk - the possibility that the authority might not have funds available to meet its commitments to make payments;

Market Risk - the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements.

The Council has adopted CIPFA's *Treasury Management in the Public Services: Code of Practice* and has set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

The Council's treasury team operates under the treasury management policy, annual treasury management strategy and investment strategy approved by the Council.

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. The treasury management policy determines the amounts deposited with banks and other financial institutions. Deposits are only made with institutions whose credit rating is at or above Long-term A- and Short-term B. The only exceptions are other local authorities and public sector organisations. Deposits will vary from £1m for an institution rated Long-term A- and Short-term B to £5m maximum for a Long-term AAA Short-term A rated organisation.

Credit Risk continued...

	Amount at 31 Mar 2009 £'000 (A)	Historical experience of default % (B)	Historical experience adjusted for market conditions at 31 Mar 2009 % (C)	Estimated maximum exposure to default and uncollect- ability £'000 (A x C)
Deposits with banks and financial institutions	28,214	0	0	0
Customers	5,294	2.35	1.28	68
				68

	Amount at 31 Mar 2010 £'000 (A)	Historical experience of default % (B)	Historical experience adjusted for market conditions at 31 Mar 2010 % (C)	Estimated maximum exposure to default and uncollect- ability £'000 (A x C)
Deposits with banks and financial institutions	22,934	0	0	0
Customers	7,637	2.12	1.4	107
				107

	Amount at 31 Mar 2011 £'000 (A)	Historical experience of default % (B)	Historical experience adjusted for market conditions at 31 Mar 2011 % (C)	Estimated maximum exposure to default and uncollect- ability £'000 (A x C)
Deposits with banks and financial institutions	18,133	0	0	0
Customers	7,069	1.96	1.11	78
				78

No credit limits were breached during the reporting period and the authority did not have and does not expect any losses from non-performance by any of its counterparties in relation to deposits. The Council has a robust debt recovery policy for its customers and has provisions for bad debts in its accounts which are reviewed on a regular basis to ensure that they are adequate.

The authority does not generally allow credit for customers. The increase in 30 days debtors from April 2009 is as a consequence of the Council being owed monies from the Non Domestic Rates Pool at the year end. The past due amount can be analysed by age as follows:

	At 01-Apr-09 £'000	At 31-Mar-10 £'000	At 31-Mar-11 £'000
Less than 30 days	1,624	6,560	5,628
30 - 60 days	741	297	511
60 - 90 days	128	219	648
90 - 120 days	93	20	0
over 120 days	2,708	541	282
	5,294	7,637	7,069

### Liquidity Risk

The Council has ready access to borrowing from either the Public Works Loans Board or the market, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The Treasury Management Strategy approved by the Council each year allows flexibility for the treasury team to ensure that resources are available to fund commitments. The risk that the Council is facing all be it some way off is that £6.5m of its debt becomes due for repayment in 2020 and potentially will need to be replaced.

The maturity analysis of financial liabilities is as follows:

	At 01-Apr-09 £'000	At 31-Mar-10 £'000	At 31-Mar-11 £'000
Less than one year	2678	1,013	2,010
Between one and two years	1013	9	5
Between two and five years	16	8	3
More than five years	7509	10,109	10,108
	11,216	11,139	12,126

All trade and other payables are due to be paid in less than one year.

## Market Risk

The authority is exposed to risk in terms of exposure to interest rate movements on its investments and borrowings. The Council's long term borrowing is at fixed rates which as interest rates have dropped has increased the fair value or increased the penalty which would need to be paid to repay the debt early. However, as borrowings are carried at amortised cost any changes in fair value have no impact on the Comprehensive Income and Expenditure Statement.

During times of falling interest rates the Council will look to invest ahead of the falls and for longer periods. However, if borrowing is required then this will either be delayed or kept short. If there is potential for rates to rise then investments are kept short so that increases in rates can be taken advantage of.

According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	At 01-Apr-09 £'000	At 31-Mar-10 £'000	At 31-Mar-11 £'000
Increase in interest payable on variable rate borrowings	0	0	0
Increase in interest receivable on variable rate investments	307	273	262
Increase in government grant receivable for financing costs	0	0	0
Impact on Comprehensive Income and Expenditure Statement	307	273	262
Share of overall impact debited to the HRA	71	58	44
Decrease in fair value of fixed rate investment assets	173	62	55
Impact on Comprehensive Income & Expenditure Account	173	62	55
Decrease in fair value of fixed rate borrowings liabilities (no impact on I & E Account or MIRS)	1006	1,157	1,046

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

## Price risk

This is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

The Council does not invest in the equity share market.

The in house treasury team do not purchase Gilts (Government backed securities) as this is a specialist market.

## Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.



## 61. Reconciliation of the movement in cash to the movement in net debt.

	Balance at 31-Mar-10 Restated £'000	Balance at 31-Mar-11 £'000	Accounting Adjustment £'000	Cash Movement £'000
Cash in hand	2	1	-	(1)
Cash at bank / (overdrawn)	416	299	-	(117)
<b>Total</b>	<b>418</b>	<b>300</b>	<b>-</b>	<b>(118)</b>
Investments	23,210	18,490	(814)	(3,906)
Other Liquid Resources	9,086	15,784		6,698
Borrowing	(11,301)	(12,294)	(6)	(987)
Leases	(2,051)	(2,653)	(1,077)	475
<b>Total</b>	<b>18,944</b>	<b>19,327</b>	<b>(1,897)</b>	<b>2,280</b>
<b>Total Movement in Net Debt</b>	<b>19,362</b>	<b>19,627</b>	<b>(1,897)</b>	<b>2,162</b>

The accounting adjustment reflects the addition of the year end interest accrual to the value of the loan/borrowing.

## 62. Reconciliation of Financing and Management of Liquid Resources to the Balance Sheet.

	Balance at 31-Mar-10 Restated £'000	Balance at 31-Mar-11 £'000	Accounting Adjustment £'000	Cash Movement £'000
<b>Management of Liquid Resources</b>				
<b>Short-term Deposits</b>				
Short Term Investments Due within 1 Year	20,977	18,185	(777)	(2,015)
<b>Other Liquid Resources</b>				
Investments Due After 1 Year	2,233	305	(37)	(1,891)
Collection Fund - NNDR	2,769	5,945		3,176
Collection Fund - Council Tax	6,317	9,839		3,522
<b>Total Other Liquid Resources</b>	<b>11,319</b>	<b>16,089</b>	<b>(37)</b>	<b>4,807</b>
<b>Total Liquid Resources</b>	<b>32,296</b>	<b>34,274</b>	<b>(814)</b>	<b>2,792</b>
<b>Financing</b>				
Long Term Loans due within 1 year	12	2,213		2,201
Long Term Loans	11,289	10,081	6	(1,214)
Leases	2,051	2,653	1,077	(475)
<b>Total Financing</b>	<b>13,352</b>	<b>14,947</b>	<b>1,083</b>	<b>512</b>

The accounting adjustment reflects the addition of the year end interest accrual to the value of the loan/borrowing.

### 63. Management of liquid resources

These are current asset investments which can be disposed of without curtailing or disrupting the Authority's activities. These investments are readily convertible into known amounts of cash or close to its carrying amount, or traded in an active market.

In addition the changes to the SORP which now recognise the Council as an agent for the collection of Council Tax and National Non-Domestic Rates (NNDR) means that the difference between the cash collected from Council Tax and NNDR payers and the amount paid to the Precepting Authorities and the NNDR national pool is included in management of liquid resources as a net increase/decrease in other liquid resources.

### 64. Analysis of Government Grants

	2009/10 Restated £'000	2010/11 £'000
<b>Revenue</b>		
Revenue Support Grant	1,251	857
NNDR Rates Pool	5,419	5,902
Other Government Grants:-		
Rent Allowances	8,063	8,410
Council Tax Benefits	4,353	4,749
Rent Rebates	5,619	5,664
Housing Benefits Admin & Counter Fraud Grant	455	485
Discretionary Housing Payments	9	-
Housing Subsidy	-	-
Planning Delivery Grant	673	-
Homeless Persons Grant	81	61
Local Authority Business Growth Incentive Grant (LABGI)	39	-
Area Based Grant	71	97
Private Finance Initiative	537	403
Personal Search Fee S31	-	34
Habitat Directive	-	17
Concessionary Fares	178	183
<b>Total Revenue Grants</b>	<b>26,748</b>	<b>26,862</b>
<b>Capital</b>		
Housing Subsidy - MRA	3,165	2,000
DFG & Single Capital Pot Grant	378	389
Community Safety	26	-
New Burdens Efficiency Grant	5	4
Planning Delivery Grant	-	-
<b>Total Capital Grants</b>	<b>3,574</b>	<b>2,393</b>

## 65. Impact on 2009/10 Financial Statements as a Consequence of the Introduction of IFRS

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

### (a). Leases

Under the Code the Council was required to review its leases to ascertain their correct treatment as operating or finance leases. One of the requirements of IFRIC4 is that all contracts need to be reviewed to ensure that any assets used in delivering the contract and subject to a finance lease are included in the Council's Balance sheet and treated as if the lease was the Council's.

The Council has two services delivered under contract - its Street Scene Service by Enterprise and its Leisure Service by Wigan Leisure & Cultural Trust. Vehicles used to provide the Street Scene Service from October 2009 are provided under a finance lease arrangement and as consequence the financial statements have been amended as follows:

The Council has recognised an asset (the vehicles) and a finance lease liability.

The charges made by Enterprise for the Street Scene Contract within Cultural, Environmental, Regulatory and Planning Services and the Housing Revenue Account (HRA) have been reduced by the amount that relates to the lease payment.

A depreciation charge has been included within Cultural, Environmental, Regulatory and Planning Services and the HRA.

The depreciation charge has been transferred from the General Fund and HRA to the Capital Adjustment Account, and the General Fund and HRA have been charged with an MRP amount equivalent to the principal repayment element of the lease and this has been appropriated (credited) to the Capital Adjustment Account.

The interest element of the lease has been charged to the Financing and Investment income and expenditure line in Surplus or Deficit on the Provision of Services.

The principal element of the lease charge has been debited to the lease liability.

This has resulted in the following changes being made to the 2009/10 financial statements.

	2009/10 Statements £'000	2009/10 Restated £'000	Adjustments Made £'000
<b>31 March 2010 Balance Sheet</b>			
Property Plant & Equipment - leased assets	-	2,057	2,057
Finance Lease Liability Due Within 12 Months	-	(342)	(342)
Finance Lease Liability Due After 12 Months	-	(1,709)	(1,709)
Capital Adjustment Account	154,732	154,738	6
<b>2009/10 Comprehensive Income &amp; Expenditure Statement</b>			
Cultural, Environmental, Regulatory and Planning Services	6,359	6,348	(11)
Financing and Investment Income and Expenditure	745	750	5
<b>2009/10 Cash Flow Statement</b>			
Cash Outflows - Other Operating Cash Payments	25,006	24,819	(187)
Cash Outflows - Interest Paid	742	747	5
Cash Outflows - Repayments of Amounts Borrowed	17,515	17,697	182

## Impact on 2009/10 Financial Statements as a Consequence of the Introduction of IFRS

### (b). Government Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a government and other grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

The balance of grants applied to fund capital expenditure held within the Government and Other Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.

Portions of government and other grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.

Grant received in 2009/10 but not used would previously have not been recognised as income and the balance placed in the Grants Unapplied Account within the Liabilities section of the Balance Sheet. Following the change in accounting policy, the grant has been analysed and split between grants with "conditions" and grants with "no conditions". The grants with "no conditions" have been recognised in full, and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet. The grants with "conditions" have been transferred to a Capital Grants Receipts in Advance Account. These grants are those associated with private sector housing improvement grants work.

This has resulted in the following changes being made to the 1 April 2009 Balance Sheet and the 2009/10 financial statements.

	April 2009 Statements £'000	Adjustments Made £'000	2009/10 Statements £'000	Adjustments Made £'000
<b>Balance Sheet</b>				
Government and Other Contributions	(672)	672	(835)	835
Capital Grants Receipts in Advance	-	(19)	-	(14)
Capital Grants Unapplied	-	(257)	-	(222)
Capital Adjustment Account	-	(396)	-	(599)
<b>Comprehensive Income &amp; Expenditure Statement</b>				
Central Services to the Public			1,142	5
Cultural, Environmental, Regulatory and Planning Services			6,359	79
Highways, Roads & Transport Services			468	2
Local Authority Housing (HRA)			3,853	6
Other Housing Services			653	2
Recognised Capital Grants & Contributions			-	(335)

There is no change to the General Fund Balance, as capital grant income is transferred out of the General Fund under both the previous and the current accounting policies.

**Reconciliation of SORP Income & Expenditure Account to IFRS Comprehensive Income  
& Expenditure Statement**

	2009/2010 Net Exp. £'000	Lease Changes £'000	Grants £'000	Other Restatement £'000	2009/10 Restatement £'000
Central Services to the Public	1,142		5		1,147
Cultural, Environmental and Planning Services	6,359	-11	152	208	6,708
Highways, Roads and Transport Services	468		2		470
Local Authority Housing (HRA)	3,853		6		3,859
Other Housing Services	653		2		655
Corporate and Democratic Core	1,336				1,336
Non Distributed Costs	334				334
<b>Net Cost of Services</b>	<b>14,145</b>	<b>(11)</b>	<b>167</b>	<b>208</b>	<b>14,509</b>
(Gain) / Loss on Disposal of Fixed Assets	208				208
Parish Council Precepts	1,308				1,308
Levies to Drainage Boards	1,400				1,400
(Surpluses) / Deficits on Trading Undertakings	208			-208	-
Interest Payable & Similar Charges	745	5			750
Contribution of Housing Capital Receipts to Government Pool	83				83
Interest and Investment Income	(936)				(936)
Pensions Interest Cost and Expected Return on Pensions Assets	1,550				1,550
<b>Net Operating Expenditure</b>	<b>18,711</b>	<b>(6)</b>	<b>167</b>	<b>-</b>	<b>18,872</b>
Recognised Capital Grants	-		(335)		(335)
General Government Grants	(1,321)		1321		-
Revenue Support Grant	-		-1250		(1,250)
Local Authority Business Growth Incentive (LABGI)	(39)		39		-
Non-domestic Rates Redistribution	(5,419)				(5,419)
Demand on the Collection Fund	(5,865)			-59	(5,924)
Transfers to / (from) the Collection Fund in respect of Surpluses / Deficits	(59)			59	-
Non Service Related Government Grants	-		-110		(110)
<b>Net General Fund (Surplus) / Deficit for the Year</b>	<b>6,008</b>	<b>(6)</b>	<b>(168)</b>	<b>-</b>	<b>5,834</b>
Amounts included in the Income & Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	(8,479)	(176)	168	-	(8,487)
Amounts not included in the Income & Expenditure Account but required by statute to be included	2,989	182	-	-	3,171
Transfers to or from the General Fund Balance that are required to be taken into account when	(551)				(551)
<b>Net additional amount required to be credited to the General Fund balance for the year.</b>	<b>(6,041)</b>	<b>6</b>	<b>168</b>	<b>-</b>	<b>(5,867)</b>
<b>(Increase) / Decrease in General Fund Balance for the Year</b>	<b>(33)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(33)</b>

Restated Balance Sheet at 31 March 2009 from SORP to IFRS

Classification Under SORP	Classification Under IFRS	As Per SORP 31-Mar-09 £'000	Leases £'000	Grants £'000	Reclass- ification £'000	As Per IFRS 31-Mar-09 £'000
Intangible Assets	Intangible Assets	304				304
Operational Assets	Property Plant & Equipment	156,032			1,837	157,869
Non-Operational Assets		1,837			-1,837	0
<b>Total Fixed Assets</b>						
Long Term Debtors	Long Term Debtors	134				134
Long Term Investments	Long Term Investments	9,425				9,425
<b>Total Long Term Assets</b>	<b>Total Non Current Assets</b>	<b>167,732</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>167,732</b>
Current Assets						
Stocks and Work in Progress	Stocks and Work in Progress	56				56
Debtors & Prepayments	Debtors & Prepayments	4,052				4,052
Short Term Investments & Loans	Short Term Investments & Loans	18,863				18,863
Cash and Bank	Cash and Cash Equivalents	33				33
<b>Total Assets</b>	<b>Current Assets</b>	<b>23,004</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>23,004</b>
	<b>Total Assets</b>	<b>190,736</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>190,736</b>
Current Liabilities						
Borrowing Repayable on Demand or Within 12 Months	Short Term Borrowing	-2,516				-2,516
Creditors	Short Term Creditors	-3,838				-3,838
<b>Total Assets less Current Liabilities</b>	<b>Total Current Liabilities</b>	<b>-6,354</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-6,354</b>
Provisions	Provisions	-157				-157
Long Term borrowing	Long Term borrowing	-8,700				-8,700
Governments Grants & Other Contributions	Capital Grants Receipts in Advance	-672			653	-19
	Finance Leases					0
Liability Related to Defined Benefit Pension Schemes	Liability Related to Defined Benefit Pension Schemes	-20,365				-20,365
<b>Total Assets less Liabilities</b>	<b>Total Long Term Liabilities</b>	<b>-29,894</b>	<b>0</b>	<b>0</b>	<b>653</b>	<b>-29,241</b>
	<b>Total Liabilities</b>	<b>-36,248</b>	<b>0</b>	<b>0</b>	<b>653</b>	<b>-35,595</b>
	<b>Net Assets</b>	<b>154,488</b>	<b>0</b>	<b>0</b>	<b>653</b>	<b>155,141</b>
Financed By:	Usable/Unusable Reserves					
Capital Adjustment Account	Capital Adjustment Account (Unusable)	157,492			396	157,888
Financial Instruments Adjustment Account	Financial Instruments Adjustment Account (Unusable)	9				9
Collection Fund Adjustment Account	Collection Fund Adjustment Account (Unusable)	-52				-52
Revaluation Reserve	Revaluation Reserve (Unusable)	240				240
Pensions Reserve	Pensions Reserve (Unusable)	-20,365				-20,365
Deferred Capital Receipts	Deferred Capital Receipts (Unusable)	53				53
Available for Sale Financial Instruments Reserve	Available for Sale Financial Instruments Reserve (Unusable)	-4				-4
Useable Capital Receipts Reserve	Useable Capital Receipts Reserve (Usable)	2,866				2,866
Major Repairs Reserve	Major Repairs Reserve (Usable)	882				882
General Fund Balance	Capital Grants Unapplied (Usable)				257	257
Housing Revenue Account Balance	General Fund Balance (Usable)	2,787				2,787
Other Earmarked Revenue Reserves	Housing Revenue Account Balance (Usable)	2,589				2,589
	Other Earmarked Revenue Reserves (Usable)	7,991				7,991
<b>Total Assets less Liabilities</b>	<b>Total Reserves</b>	<b>154,488</b>	<b>0</b>	<b>0</b>	<b>653</b>	<b>155,141</b>

Restated Balance Sheet at 31 March 2010 from SORP to IFRS

Classification Under SORP	Classification Under IFRS	As Per SORP 31-Mar-10 £'000	Leases £'000	Grants £'000	Reclass- ification £'000	As per IFRS 31-Mar-10 £'000
Intangible Assets	Intangible Assets	265				265
Operational Assets	Property Plant & Equipment	162,806	2,057		2,465	167,328
Non-Operational Assets		2,465			-2,465	0
<b>Total Fixed Assets</b>						
Long Term Debtors	Long Term Debtors	191				191
Long Term Investments	Long Term Investments	2,023				2,023
<b>Total Long Term Assets</b>	<b>Total Non Current Assets</b>	<b>167,750</b>	<b>2,057</b>	<b>0</b>	<b>0</b>	<b>169,807</b>
Current Assets						
Stocks and Work in Progress	Stocks and Work in Progress	28				28
Debtors & Prepayments	Debtors & Prepayments	7,369				7,369
Short Term Investments & Loans	Short Term Investments & Loans	20,977				20,977
Cash and Bank	Cash and Cash Equivalents	418				418
<b>Total Assets</b>	<b>Current Assets</b>	<b>28,792</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>28,792</b>
	<b>Total Assets</b>	<b>196,542</b>	<b>2,057</b>	<b>0</b>	<b>0</b>	<b>198,599</b>
Current Liabilities						
Borrowing Repayable on Demand or Within 12 Months	Short Term Borrowing	-1,216	-342			-1,558
Creditors	Short Term Creditors	-4,460				-4,460
<b>Total Assets less Current Liabilities</b>	<b>Total Current Liabilities</b>	<b>-5,676</b>	<b>-342</b>	<b>0</b>	<b>0</b>	<b>-6,018</b>
Provisions	Provisions	-109				-109
Long Term borrowing	Long Term borrowing	-10,085				-10,085
Governments Grants & Other Contributions	Capital Grants Receipts in Advance	-835			821	-14
	Finance Leases		-1,709			-1,709
Liability Related to Defined Benefit Pension Schemes	Liability Related to Defined Benefit Pension Schemes	-24,749				-24,749
<b>Total Assets less Liabilities</b>	<b>Total Long Term Liabilities</b>	<b>-35,778</b>	<b>-1,709</b>	<b>0</b>	<b>821</b>	<b>-36,666</b>
	<b>Total Liabilities</b>	<b>-41,454</b>	<b>-2,051</b>	<b>0</b>	<b>821</b>	<b>-42,684</b>
	<b>Net Assets</b>	<b>155,088</b>	<b>6</b>	<b>0</b>	<b>821</b>	<b>155,915</b>
Financed By:	Usable/Unusable Reserves					
Capital Adjustment Account	Capital Adjustment Account (Unusable)	154,732	6		599	155,337
Financial Instruments Adjustment Account	Financial Instruments Adjustment Account (Unusable)	-3				-3
Collection Fund Adjustment Account	Collection Fund Adjustment Account (Unusable)	57				57
Revaluation Reserve	Revaluation Reserve (Unusable)	10,116				10,116
Pensions Reserve	Pensions Reserve (Unusable)	-24,749				-24,749
Useable Capital Receipts Reserve	Deferred Capital Receipts (Unusable)	2,065				2,065
Deferred Capital Receipts	Available for Sale Financial Instruments Reserve (Unusable)	26				26
Available for Sale Financial Instruments Reserve	Useable Capital Receipts Reserve (Usable)	-5				-5
Major Repairs Reserve	Major Repairs Reserve (Usable)	0				0
General Fund	Capital Grants Unapplied (Usable)				222	222
Housing Revenue Account	General Fund Balance (Usable)	2,820				2,820
Other Revenue Reserves	Housing Revenue Account Balance (Usable)	2,559				2,559
	Other Earmarked Revenue Reserves (Usable)	7,470				7,470
	<b>Total Reserves</b>	<b>155,088</b>	<b>6</b>	<b>0</b>	<b>821</b>	<b>155,915</b>

**HOUSING REVENUE ACCOUNT**  
**HRA INCOME AND EXPENDITURE STATEMENT**

The HRA Income and Expenditure Statement shows the economic cost in year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2009/2010 £'000		2010/2011 £'000	Notes
	<u>Expenditure</u>		
2,700	Repairs & Maintenance	2,732	
2,509	Supervision & Management	2,776	
19	Rents rates taxes and other charges	36	
1,046	Negative housing revenue account subsidy payable	4,043	1
7,832	Depreciation and Impairment of non-current assets	1,844	2
	Exceptional Item - Impairment of Council Dwellings	48,828	2
13	Debt Management costs	13	
102	Movement in the allowance for bad debts	(6)	3
<b>14,221</b>	<b>Total Expenditure</b>	<b>60,266</b>	
	<u>Income</u>		
9,563	Dwelling rents	9,766	4
118	Non-dwelling rents	110	5
377	Charges for Services and Facilities	1,126	
459	Contributions towards expenditure	412	
<b>10,517</b>	<b>Total Income</b>	<b>11,414</b>	
<b>3,704</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income &amp; Expenditure Statement</b>	<b>48,852</b>	
143	HRA services share of Corporate & Democratic Core	196	
12	HRA Share of other amounts included in the whole authority Cost of Services but not allocated to specific services	(678)	
<b>3,859</b>	<b>Net (Income) / Cost for HRA Services</b>	<b>48,370</b>	
	HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(28)	(Gain) or loss on sale of HRA non-current assets	(69)	
	Interest payable and similar charges	2	
(200)	Interest and investment income	(58)	
558	Pensions interest cost and expected return on pensions assets	277	
	Capital grants and contributions receivable	(50)	
<b>4,189</b>	<b>(Surplus) / Deficit for the year on HRA services</b>	<b>48,472</b>	



**MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT**

2009/2010 £'000		2010/2011 £'000	Notes
(2,589)	<b>Balance on the HRA at the end of the previous year</b>	(2,559)	
4,189	(Surplus) / Deficit for year on the HRA Income and Expenditure Statement.	48,472	
(4,677)	Adjustments between accounting basis and funding under statute	(47,354)	
(488)	Net (Increase) / Decrease before transfers to or from reserves	1,118	
518	Transfers to or (from) reserves	(230)	
<b>30</b>	<b>(Increase) / Decrease in year on the HRA</b>	<b>888</b>	6
(2,559)	<b>Balance on the HRA at the end of the current year</b>	(1,671)	

**NOTE TO THE MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT**

2009/2010 £'000		2010/2011 £'000	Notes
	<u>Adjustments between accounting basis and funding under statute</u>		
(8)	Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the code and those determined in accordance with statute.	(8)	
(6,005)	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements.	(48,674)	
	Release of Government Grant	50	
28	Gain or (loss) on sale of HRA non-current assets.	193	
1,308	Capital expenditure funded by the Housing Revenue Account	1,085	
<b>(4,677)</b>	<b><u>Total Adjustments between accounting basis and funding under statute</u></b>	<b>(47,354)</b>	
	<u>Transfers to or (from) reserves</u>		
(320)	HRA share of contributions to / (from) the Pensions Reserve	448	
1,385	Transfer to / (from) Major Repairs Reserve	(1,182)	7
(47)	Amortisation of Intangible Assets	(27)	7
(500)	Transfer to / (from) Housing Special Projects Reserve	(590)	
-	Transfer to / (from) Housing Carry Forward Budget Reserve	1,121	
<b>518</b>	<b><u>Total Transfers to or (from) reserves</u></b>	<b>(230)</b>	

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1. HRA Subsidies

This is the government grant towards the running costs of the housing stock. It relates to the notional costs of management, maintenance, major repairs and capital financing less an assumed level of rent income. With effect from 2004/05 new laws came into force transferring rent rebate payments from the Housing Revenue Account to the General Fund. As a result Housing Subsidy no longer covers the cost of rent rebate payments and Selby has become a "negative subsidy" authority. This means that Selby now pays a sum equivalent to the notional negative subsidy on the Housing Revenue Account to the Government. In addition, during 2009/10 the Council received an advance of £1.2m of the 2010/11 allowance for major repairs, this was made available to councils in order to assist them meeting the Governments Decent Homes target by December 2010, subsequently, this impacted by reducing the major repairs allowance for 2010/11. Subsidy payable to the government in 2010/11 is analysed below:

2009/2010 £'000		2010/2011 £'000
1,366	Allowance for Management	1,402
3,004	Allowance for Maintenance	3,126
3,165	Allowance for Major Repairs	816
465	Charges for Capital	416
-	Rent Rebates	-
-	Other Items of Reckonable Expenditure	-
<b>8,000</b>		<b>5,760</b>
(9,063)	Guideline Rent Income	(9,785)
(5)	Interest on Receipts	(2)
<b>(1,068)</b>		<b>(4,027)</b>
22	Prior Year Subsidy outstanding	(16)
<b>(1,046)</b>	<b>Negative Housing Subsidy Payable</b>	<b>(4,043)</b>

### 2. Depreciation & Impairments

The following amounts were charged to the Account in respect of depreciation of assets:

2009/2010 £'000		2010/2011 £'000
1,660	Houses	1,758
167	Other Property	240
<b>1,827</b>	<b>Total</b>	<b>1,998</b>

The operational / non-operational split of the charges is as follows:

2009/2010 £'000		2010/2011 £'000
1,824	Operational	1,982
3	Non-operational	16
<b>1,827</b>	<b>Total</b>	<b>1,998</b>

## 2. Depreciation & Impairments continued .....

Housing Revenue Account Impairments Charged to the Service Revenue Accounts

2009/2010 £'000		2010/2011 £'000
5,552	Dwellings	48,828
225	Garages	(199)
40	Ousegate Hostel	10
76	Edgerton Lodge Hostel	27
59	Community Centres	8
64	Non-operational Land	-
(11)	Other Operational Buildings	-
<b>6,005</b>	<b>Total</b>	<b>48,674</b>

Impairment occurs because something has happened either to the fixed assets, or to the economic environment in which they are used. A review for impairment of a fixed asset whether carried at historical cost or valuation should be carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. The Statement of Accounting Policies gives further information. The Social Value Index has fallen from 47% to 31% with effect from 1 April 2011, the date the valuers use for the desktop review of council houses. This change has had a significant impact in reducing the value of the housing stock. A desktop review of other buildings saw an increase in garage values, but saw reductions for the community centres and hostels.

## 3. Provision For Bad Debts

The account is charged with the 'top up' required for provision towards bad debts in respect of rent arrears and overpaid housing benefit. A reduction of £6,750 was made during the year in respect of rent arrears in 2010/11 and £14,943 was allocated in respect of Housing Benefit overpayments. The total rent arrears provision at 31 March 2011 amounted to £50,000 (£83,000 2009/10). In addition, a further provision has been created for general non rent HRA debtors totalling £2,586.

## 4. Income - Dwellings

This is the total rent income due for the year on the housing stock. The average 48 week rent was £65.27, an increase of £1.44 (2.3%) per dwelling over the previous year.

## 5. Income - Non Dwellings

This is the total rent income due for the year in respect of garages, sheltered housing and business charges.

## 6. Deficit for the year

It was anticipated that a contribution of £1.204m would be required from HRA reserves. The actual final year end position required a contribution of £888k from HRA reserves. The impact on the HRA reserve sees the balance reduce to £1.671m from £2.559m. The major variances within the HRA total £316k and these are explained in the Explanatory Foreword on page 8.

## 7. Major Repairs Reserve

The following is a statement of the movements in this reserve during the financial year 2010/11:

2009/2010 £'000		2010/2011 £'000
<b>882</b>	<b>Opening Balance</b>	-
1,827	Amount transferred to the reserve from the Capital Adjustment Account	1,998
1,338	Amount transferred to / (from) the reserve to the Housing Revenue Account: Tangible Assets	(1,182)
(4,047)	Debits to the reserve in respect of HRA capital expenditure on: - houses	(816)
-	<b>Closing Balance</b>	-

The movement on the Reserve can be analysed as follows:

2009/2010 £'000		2010/2011 £'000
<b>882</b>	<b>Opening Balance</b>	-
3,165	Add: Major Repairs Allowance Grant	816
(4,047)	Less: capital expenditure charged to the reserve	(816)
-	<b>Closing Balance</b>	-

## 8. Capital Adjustment Account

The following is a statement of the movements in the Capital Adjustment Account during the financial year 2010/11:

2009/2010 £'000		2010/2011 £'000
<b>8,898</b>	<b>Balance brought forward at 1 April 2010</b>	<b>11,409</b>
(1,308)	Capital expenditure finance by revenue	(1,085)
(4,048)	Major Repairs grant applied to capital investment in tear	(816)
(6)	Historical costs associated with depreciation	(4)
1,827	Transfer to Major Repairs Reserve re depreciation	1,998
6,005	Transfer from the Revaluation Reserve re impairments	48,674
47	Amortisation of intangible assets	27
(6)	Government Grant amortisation	(50)
<b>11,409</b>	<b>Closing Balance</b>	<b>60,153</b>

## Additional Notes to the Housing Revenue Account

### 9. Housing Revenue Account Assets

The total balance sheet value of assets owned by the Housing Revenue Account is summarised as follows:

01-Apr-10 £'000		31-Mar-11 £'000
583	Land	548
150,891	Houses	148,381
1,433	Other Property	1,543
<b>152,907</b>	<b>Total</b>	<b>150,472</b>

Assets can be defined as either operational (such as council dwellings and other buildings) or non-operational (such as community land). The split is summarised below:

01-Apr-10 £'000		31-Mar-11 £'000
152,660	Operational	150,220
247	Non-operational	252
<b>152,907</b>	<b>Total</b>	<b>150,472</b>

#### Vacant Possession Value

The vacant possession value of the houses within the Housing Revenue Account as at 1 April 2010 was £321.143m. The substantial difference between the vacant possession value and the balance sheet value of dwellings demonstrates the economic cost to Government of providing council housing at less than open market value.

### 10. Capital Receipts

Capital Receipts totalling £229,340 (£120,064 2009/10) were received by the Housing Revenue Account in 2010/11. The total can be broken down as follows:

2009/2010 £'000		2010/2011 £'000
	<b>Disposal of Assets:</b>	
76	Houses	186
-	Land	26
<b>76</b>		<b>212</b>
27	Principal Repaid on Housing Advances	-
17	Repayment of discount received on Right to Buy sales	17
<b>120</b>	<b>Total</b>	<b>229</b>

## 11. Capital Expenditure

Capital expenditure and sources of financing during the year were as follows:

2009/2010 £'000		2010/2011 £'000
	<b>Capital expenditure</b>	
24	Vehicles, Plant & Equipment	14
-	Intangible Assets	-
-	Land and Infrastructure	-
5,552	Improvements to Council Dwellings	2,974
<b>5,576</b>	<b>Total</b>	<b>2,988</b>
	<b>Sources of finance</b>	
220	Prudential Borrowing	1,036
1,308	Revenue contributions	496
4,048	Major Repairs Reserve	816
-	Other Grants	50
-	Fund Balances	590
<b>5,576</b>	<b>Total</b>	<b>2,988</b>

## 12. Rent Arrears

During the year 2010/11 rent arrears as a proportion of gross rent income have reduced to 2.02% (£199,606) from 2.29% (£221,255) in 2009/10. The arrears figure includes Housing Benefit overpayments.

2009/2010 £'000		2010/2011 £'000
221	Rent Arrears at 31 March	199
8	Hostel Arrears	3
(153)	Rent Credits	(175)
-	Hostel Credits	(1)
<b>76</b>	<b>Total</b>	<b>26</b>

### 13. Housing Stock

The analysis of the HRA housing stock is summarised as follows:

31-Mar-10 (number)			31-Mar-11 (number)
532	Houses and Bungalows	- 1 Bedroom	532
895		- 2 Bedroom	895
1,089		- 3 Bedroom	1,087
31		- 4 Bedroom	31
1		- 5 Bedroom	1
228	Flats, Bedsits and Maisonettes	- 1 Bedroom	227
378		- 2 Bedroom	378
2		- 3 Bedroom	2
2	Multi Occupied Dwellings (Hostels)		2
<b>3,158</b>	<b>Total</b>		<b>3,155</b>

### 14. Accounting for Retirement Benefits

The HRA is presented in accordance with the requirement to account for retirement benefits and therefore is charged with the cost of providing pensions to employees.

The SORP requires that the HRA is charged for a share of the Pensions Interest Cost and the Expected Return on Pension Assets. These charges are appropriated to the pensions reserve to ensure the HRA shows the pension fund contributions payable for the year.

2009/2010 £'000		2010/2011 £'000
	<b>HRA Income &amp; Expenditure Statement</b>	
151	Current Service Cost	233
-	Past Service Cost (Gains)	(709)
19	Settlements & Curtailments	32
<b>170</b>		<b>(444)</b>
953	Interest Cost	692
(395)	Expected Return on Assets in the Scheme	(415)
<b>558</b>		<b>277</b>
<b>728</b>	<b>Total charged to the HRA Income &amp; Expenditure Statement</b>	<b>(167)</b>

**THE COLLECTION FUND**

2009/2010 £'000		2010/2011 £'000	Notes
	<b>Income</b>		
(39,718)	Income from Council Tax (net of benefits and transitional relief)	(41,372)	2
(4,302)	Transfers from General Fund - Council Tax Benefit	(4,691)	
(27,745)	Income collectable from business ratepayers	(27,300)	3
<b>(71,765)</b>		<b>(73,363)</b>	
	<b>Expenditure</b>		
43,705	Precepts and demands	45,372	4
27,319	Business rate - Payment to national pool	26,598	
169	- Costs of collection	226	5
529	Bad and doubtful debts - Write offs	894	
(403)	- Movement in bad debts provision	(165)	6
(367)	Contributions - Towards previous year's Collection Fund Surplus		
<b>70,952</b>		<b>72,925</b>	
<b>388</b>	<b>Balance Brought Forward</b>	<b>(425)</b>	
(813)	(Surplus) / Deficit for the year	(438)	
<b>(425)</b>	<b>Balance Carried Forward</b>	<b>(863)</b>	



## NOTES TO THE COLLECTION FUND

### 1. General

This account represents the transactions of the Collection Fund, a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income relating to Council Tax and Non Domestic Rates on behalf of those bodies (including the Council's own General Fund) for whom the income has been raised. The costs of administering collection are accounted for in the General Fund.

The year-end surplus or deficit on the Collection Fund is to be distributed between billing and precepting authorities on the basis of estimates made by 15 January 2010 of the year-end balance.

### 2. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the County and District Councils for the forthcoming year and dividing this by the Council Tax Base.

The Council's tax base i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings, was calculated as follows:-

Band	Estimated number of taxable Properties after effect of discounts	Ratio	Band D equivalent dwellings
-A	21	5/9	12
A	7,024	6/9	4,683
B	6,666	7/9	5,185
C	6,568	8/9	5,838
D	4,865	1	4,865
E	3,764	11/9	4,600
F	2,161	13/9	3,121
G	824	15/9	1,373
H	49	18/9	98
<b>Total</b>	<b>31,942</b>		<b>29,775</b>
Net adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation banding, new properties, demolitions disabled persons relief and exempt properties plus the impact of new legislation on second homes and empty properties.			200
<b>COUNCIL TAX BASE</b>			<b>29,975</b>

The basic amount of Council Tax for a Band D property (£1,529.02 for 2010/11) is multiplied by the relevant proportion specified above for the particular Band to give an individual amount due.

(2010/11 - 29,975 x £1,529.02 = £45,832,374.50)

### 3. Income from business ratepayers

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government which in turn pays back to authorities their share of the pool based on a standard amount per head of resident population.

The total non-domestic rateable value at 31 March 2011 was £100.67m (£68.776 in 2009/10). The national non-domestic multiplier for the year was 41.4p (48.5p in 2009/10). Relief and deductions for the year totalled £3.38m (£2.644m in 2009/10).

The non-domestic rateable value of £100,670,443 when multiplied by a uniform business rate of 41.4p gives a total collectable of £41,677,563. After taking into account prior year adjustments, small property relief, empty property rate and mandatory and discretionary relief this gives a net total collectable during 2010/11 of £27,300,068 (£27,744,090 in 2009/10).

### 4. Precepts and Demands

2009/2010 £'000		2010/2011 £'000
30,196	North Yorkshire County Council	31,380
5,854	North Yorkshire Police Authority	6,070
1,790	North Yorkshire Fire & Rescue Authority	1,843
5,865	Selby District Council (including parishes)	6,079
<b>43,705</b>	<b>Total</b>	<b>45,372</b>

### 5. Costs of Collection.

The figure includes £111,153 (£53,594 2009/10) for interest payable on refunds to business ratepayers following reductions in rateable values.

### 6. Bad and Doubtful Debts.

The Council acts as an agent on behalf of the Precepting Bodies for Council Tax and Central Government for Non-Domestic Rates the analysis of the provision for bad and doubtful debts held within the collection fund are shown in the table.

	Balance at 31-Mar-10 £'000	Movement in 2010/2011 £'000	Balance at 31-Mar-11 £'000
Council Tax	692	(176)	516
Non Domestic Rates	134	11	145
<b>Total</b>	<b>826</b>	<b>(165)</b>	<b>661</b>

The bad debts allocation for the Council's share of the Council Tax are included within note 37 of the Core Financial Statements, page 67.

## 7. Collection Fund Debtors & Prepayments

The Collection Fund debtors and prepayments were previously included in the Council's Debtors and Creditors figures. With the change in the SORP identifying the Council in its role as a 'Billing Authority' acting as an agent on behalf of the major preceptors and Central Government these amounts are no longer included in the Balance Sheet of the Council. The Council Balance Sheet now only contains its share of the Debtors and Prepayments in relation to Council Tax.

	Balance at 31-Mar-10 £'000	Movement in 2010/2011 £'000	Balance at 31-Mar-11 £'000
Council Tax Debtors	2,097	(114)	1,983
Council Tax Prepayments	(1,053)	192	(861)
National Non Domestic Rates Debtors	1,306	(602)	704
National Non Domestic Rates Prepayments	(252)	48	(204)
<b>Net</b>	<b>2,098</b>	<b>(476)</b>	<b>1,622</b>

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## **Glossary of Terms**

### **Accounting Period**

The period of time covered by the accounts normally a period of twelve months, commencing on 1st April and ending on 31st March the following year, for local authority accounts. The end of the accounting period is the balance sheet date.

### **Accounts:**

A generic term for statements setting out details of income and expenditure or assets and liabilities, in a structured manner. Accounts may be categorised by the type of transactions they record, e.g. revenue account, capital accounts or by the purpose they serve, e.g. management accounts, final accounts, balance sheet.

### **Accounting Policies:**

Accounting policies are the principles, bases conventions, rules and practices applied by the Council that specify how the effects of transactions and other events are to be reflected in its financial statements. An accounting policy will ,for example, specify the estimation basis for the allocation of support service costs.

### **Accruals:**

Sums included in the final accounts to cover income and expenditure, whether revenue or capital in nature, attributable to the accounting period but for which payment has not been received or made at the balance sheet date.

### **Actuarial Gains and Losses:**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses which arise because either events have not coincided with the assumptions made by the actuary for the last valuation or the assumptions have changed.

### **Actuary:**

A person or firm who analyses the assets and future liabilities of a pension fund and calculates the level of employers' contributions to keep it solvent.

### **Amortisation:**

The gradual elimination of the value of an asset through depreciation as a result of usage and age usually applied to intangible assets such as software. Or the payment of a debt over a specified number of years.

### **Asset:**

Something of worth which is measurable in monetary terms. These are normally divided into fixed assets and current assets.

### **Audit:**

An independent examination of an organisation's activities, either by internal audit or the organisation's external auditor.

### **Audit Commission:**

The Audit Commission was established by the Local Government Finance Act 1982. It has responsibility for the external audit of all local authorities. It can either use district auditors who are employed by the Audit Commission or firms of accountants.

### **Balance Sheet:**

This shows a summary of the overall financial position of the Council at the end of the financial year.

### **Billing Authority:**

The Council responsible for administering the Collection Fund, including raising bills for and collecting appropriate council tax and national non-domestic rates (NNDR) and paying precepting bodies.

## **Glossary of Terms**

### **Capital Adjustment Account:**

The balance on this account principally represents amounts set aside from revenue accounts, capital receipts used to finance capital expenditure and the excess of depreciation over the Minimum Revenue Provision.

### **Capital Expenditure:**

Expenditure on the acquisition of fixed assets that will be of use or benefit to the Council in providing its services beyond the year of account or expenditure that adds to, and does not merely maintain, an existing fixed asset.

### **Capital Expenditure charged in year to General Fund Balance:**

A method of financing capital expenditure in the accounting period rather than over a number of years.

### **Capital Financing:**

The method by which money is raised to pay for capital expenditure.

### **Capital Financing Requirement**

A prudential indicator in the CIPFA prudential code. It is derived from information in the balance sheet. The indicator generally represents the underlying need to borrow for capital purposes.

### **Capital Grant**

Grant provided for the purpose of capital expenditure on projects.

### **Capital Programme:**

The capital schemes the Council intends to carry out over a specified time period.

### **Capital Receipts:**

The money received from the sale of fixed assets. A specified proportion of this may be used to finance new capital expenditure.

### **Cash Flow Statement:**

A statement summarising the inflows and outflows of cash, arising from transactions between the council and third parties, for revenue and capital purposes.

### **CIPFA:**

Chartered Institute of Public Finance and Accountancy. CIPFA is the main professional body for accountants working in public service. It produces guidance in relation to various matters concerning the public sector including financial and governance issues.

### **Code of Practice on Local Authority Accounting:**

The Code has been written by CIPFA to assist local government in ensuring that its Statements of Accounts comply with IFRS and local government accounting regulations.

### **Collection Fund:**

A fund administered by Billing Authorities into which is paid council tax and NNDR income. Precepts are paid from the fund to Precepting Authorities, including the Billing Authority, and the NNDR collected is paid to the Government.

### **Community Assets:**

Assets that the Council intends to hold in perpetuity that have no determinable useful life and or value, or may have restrictions on their disposal. Examples of such items are the Park in Selby and playgrounds.

### **Consistency:**

The concept that the accounting treatment of like items, within an accounting period, and from one period to the next, is the same.

## **Glossary of Terms**

### **Contingent Asset:**

A possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

### **Contingent Liability:**

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

### **Corporate and Democratic Core:**

The corporate and democratic core comprises of all activities that the Council engages in specifically because it is an elected, multi-purpose authority. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. The accounting code of practice does not require these costs to be apportioned to services.

### **Council Tax:**

A charge on residential property within the Council's area to contribute to financing a proportion of the Council's expenditure.

### **Creditors:**

Amounts owed to the Council for work done, goods received or services provided within the accounting period but for which payment was not made at the balance sheet date.

### **Current Assets:**

Assets that can be expected to be consumed or realised during the next accounting period.

### **Current Liabilities:**

Amounts that will become due during the next accounting period.

### **Current Service Cost:**

The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.

### **Curtailment:**

For a defined benefit pension scheme, 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. Curtailments can include termination of employees' services earlier than expected and termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

### **Debtors:**

Amounts due to the Council for goods and services provided within the accounting period but not received at the balance sheet date.

### **Deferred Capital Receipts**

Amounts due to the Council from the sale of fixed assets that are not receivable immediately on sale but will be received in instalments over time. An example is mortgages granted under the council house right to buy scheme.

## **Glossary of Terms**

### **Deferred Discounts & Premiums on Early Repayment of Debt:**

The Council has in previous years decided to repay external debt before it was due to mature, these repayments lead to either a premium being payable or receipt of a discount. The accumulated balance of these premiums and discounts, as at 1 April 2007, have been derecognised by transferring the balance to the Financial Instruments Adjustment Account via the Statement of Movement on General Fund Balance following the implementation of Accounting for Financial Instruments.

### **Deferred Liabilities:**

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

### **Defined Benefit Pension Scheme:**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

### **Depreciation:**

The measure of the cost or revalued amount of benefits of the fixed asset that have been consumed during the period. Consumption includes the wearing-out, using up or other reduction in the useful life of a fixed asset. This can arise from use, passing of time or obsolescence.

### **Emoluments:**

These are all sums paid to, or receivable by, an employee and sums due by way of expenses allowances (as far as these sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either the employer or the employee are excluded.

### **Expected Return in Pension Assets:**

This applies to a funded defined benefit pension scheme and is the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

### **Fees and Charges:**

Income arising from the provision of services.

### **Finance Leases:**

Finance leases transfer all the risks and reward of ownership of a fixed asset to the lessee and such assets are included within the fixed assets in the lessee's Balance Sheet.

### **Financial Instruments and the Financial Instruments Adjustment Account (FIAA)**

A term used to denote any form of funding medium - mostly those used for borrowing and lending in money markets e.g. bills of exchange, bonds, deposits. The FIAA is a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments.

### **Financial Reporting Standards (FRSs):**

Statements prepared by the Accounting Standards Board on how certain information should be disclosed in the accounts. Many of the Financial Reporting Standards (FRSs) and Statements of Standard Accounting Practice (SSAPs) apply to local authorities and any departure from these must be disclosed in the published accounts.

### **Financial Year:**

The period of time to which a statement of accounts relates. The financial year of the Council runs from 1 April to 31 March.



## **Glossary of Terms**

### **Fixed Assets:**

Tangible and intangible assets that can be expected to be of use or benefit to the Council in providing its services for more than one accounting period.

### **General Fund:**

The main account of the Council that records the costs of service provision except those shown in the Housing Revenue Account and Collection Fund.

### **Going Concern:**

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

### **Government Grants:**

Payments by central government towards the cost of council services either specifically (e.g. disabled facilities improvement grants) or generally (e.g. revenue support grant).

### **Government Grants Deferred:**

Sums of money received from the government or other organisations towards the costs of specific fixed assets. The money is transferred to the service using the asset as it is depreciated to reduce the charge in each year that the asset is useable.

### **Housing Capital Receipts Pool:**

Prescribed contributions are made to Housing Capital Receipts Pool in respect of the sale of Housing Revenue Account assets which includes surplus land and houses under the 'right to buy scheme' by all councils. These monies are then redistributed nationally based on a needs basis as part of the decent homes initiative.

### **Housing Revenue Account (HRA):**

A separate account to the general fund recording all the transactions relating to the provision of council houses.

### **Impairment:**

A reduction in the value of a fixed asset below its current value on the Council's balance sheet.

### **Income and Expenditure Account:**

The income and expenditure account combines the income and expenditure relating to all the Council's functions including the General Fund and Housing Revenue Account.

### **Infrastructure Asset:**

These are fixed assets that cannot be sold, but where there is economic benefit to the council of more than one year. An example is footpaths within some of the council housing developments.

### **Intangible Fixed Asset:**

These are assets which do not have a physical substance, such as computer software, but which yield benefits to the Council and the services it provides, for a period of more than one year.

### **Interest Cost:**

This relates to a defined benefit pension scheme. The expected increase during the period is the present value of the scheme liabilities because the benefits are one period closer to settlement.

### **International Financial Reporting Standards (IFRS):**

IFRS is the prescribed format for all local authority Statement of Accounts. The Code of Practice gives detailed guidance on how the Council will account for its transactions in the statements and notes explaining the transactions

## **Glossary of Terms**

### **Investment:**

An investment is considered to be long term if it is intended to be held for use on a continuing basis in the activities of the Council. Investments should be classified as such only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments that do not meet this criteria should be classified as current assets and are short-term for periods of up to one year.

### **Leasing:**

A method of financing capital expenditure where a rental charge is paid for the asset over a specified period of time. Leases can be either finance leases or operating leases.

### **Liability:**

An account due to an individual or organisation that will be paid at some future date.

### **Liquid Resources:**

Current investments that are readily disposable by the Council without disrupting its business and are readily convertible to cash.

### **Minimum Revenue Provision:**

The minimum amount which must be charged to the Council's revenue accounts each year and set aside as a provision to meet the Council's credit liabilities or debt.

### **Monitoring Officer:**

Under the provisions of the Local Government and Housing Act 1989 councils have a duty to appoint a Monitoring Officer to ensure the lawfulness and fairness of council decision making. Councils may choose who to designate as monitoring Officer except that it may not be the Head of Paid Service (Chief Executive). In Selby the Monitoring Officer is Jonathan Lund, Strategic Director.

### **National Non-Domestic Rates (NNDR):**

An NNDR poundage is set annually by central government and collected by billing authorities, who pay the monies over to the government. The proceeds are then redistributed by the government between local authorities.

### **Net Book Value:**

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

### **Non-Operational Assets:**

These are fixed assets owned by the Council, but not directly occupied, used or consumed in the delivery of council services. Examples of these types of asset are the bus station, doctors surgeries and land awaiting disposal.

### **Operational Assets:**

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

### **Past Service Cost:**

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

### **Post Balance Sheet Events:**

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

## **Glossary of Terms**

### **Precept:**

The amount that a precepting authority requires from a billing authority to meet its expenditure

### **Precepting Authority:**

Local authorities, including county councils, parish councils, police and fire authorities which cannot levy a council tax directly on the public but have the power to precept billing authorities (district councils).

### **Prior Year Adjustments:**

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

### **Provisions:**

Amounts set aside in the accounts for future liabilities that are likely to be incurred, but which cannot accurately be quantified.

### **Prudence:**

The concept that revenue is not anticipated but is recognised only when realised in the form of either cash or other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

### **Prudential Indicators:**

The Local Government Act 2003 specifies a number of prudential indicators covering both capital and treasury management activities which Councils must set as part of their budget process. They are designed to show the affordability of the capital programme and that the Council's borrowing is prudent and sustainable.

### **Public Works Loans Board (PWLB):**

A government agency that lends money to public bodies for capital purposes. Monies are drawn down from the national loans fund and rates of interest are determined by the Treasury. Councils are free to borrow as much as they like from the PWLB provided that it is prudent, affordable, sustainable and within the prudential indicators set at full council.

### **Realisable Value:**

The value of an asset at existing use, if sold between a willing buyer and a willing seller.

### **Related Party:**

Two or more parties are related where one party has control or is able to influence the financial operational policies of another.

### **Reserves:**

Amounts set aside in the accounts for the purpose of defraying particular future expenditure. A distinction is drawn between reserves and provisions, which are set up to meet known liabilities.

### **Residual Value:**

The net realisable value of an asset at the end of its useful life. Residual values are based on current prices at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price.

### **Retirement Benefits:**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

## **Glossary of Terms**

### **Revaluation Reserve:**

This account contains surpluses and losses arising from the periodic valuation of fixed assets.

### **Revenue Expenditure Funded from Capital Under Statute**

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in an asset being carried on the Balance Sheet. The purpose of this is to enable it to be funded from capital resources rather than being charged to the General Fund and impact on that years Council Tax

### **Revenue Support Grant:**

A general government grant paid to the General fund in support of the Council's revenue expenditure.

### **Scheme Liabilities:**

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

### **S106 Agreements**

Where a developer undertakes to provide community benefits e.g. open recreation spaces, a percentage of affordable housing

### **Section 151 Officer (S151):**

The section 151 officer is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2003 to ensure that the Council's budgeting, financial management and accounting practices meet relevant statutory and professional requirements.

### **Settlement:**

An irrevocable action that relieves the employer (or defined benefit pension scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements can include: a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits; the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

### **Service Reporting Code of Practice (SeRCOP):**

The system of local authority accounting and reporting has been modernised to meet the changing needs of local government. The SeRCOP provides guidance on the content and presentation of costs and service activities to enable consistency across Local Government. The code has been driven by IFRS

### **Statement of Standard Accounting Practice (SSAP's):**

Statements prepared by the Accounting Standards Committee. Many of these have been replaced by Financial Reporting Standards (FRSs), but any departure from them must be disclosed in the published accounts.

### **Stocks:**

Items of raw materials and stores purchased by the Council to use on a continuing basis which have not been used. The value of those items not used at the balance sheet date are included as assets of the Council.

### **Support Services:**

The costs of departments that provide professional and administrative assistance to services.

## **Glossary of Terms**

### **Tangible Fixed Assets:**

These are assets with a physical substance that yield benefits to the Council and the services it provides for a period of more than one year.

### **Unapportionable Central Overheads:**

These are overheads from which no user benefits, and therefore they cannot be allocated to a service area.

### **Useful Life:**

The period over which the Council will derive benefits from the use of an asset.

### **Vested Rights:**

In relation to a defined benefit pension scheme these are for active members, benefits to which they would unconditionally be entitled on leaving the scheme, for deferred pensioners, their preserved rights and for pensioners, pensions to which they are entitled.

### **Work in Progress:**

The value of work done on an uncompleted project that has not been recharged to the appropriate account at the balance sheet date.

## **Statement of Accounts 2010/11 – Explanatory Notes**

### 1. Introduction

- 1.1 This paper supports the report and statutory Statement of Accounts presented to Audit Committee for approval. It provides explanations and commentary on the main issues within the accounts to facilitate robust scrutiny and challenge of the accounts prior to approval.
- 1.2 The purpose of the Statement of Accounts is to give the public, councillors, employees, other stakeholders and interested parties clear information about the Council's finances. In summary the accounts should show:
- The cost of the services provided by the Council over the year
  - Where the money came from to pay for these services
  - The Council's assets and liabilities at the end of the financial year.
- 1.3 The accounts have been compiled using the "Code of Practice on Local Authority Accounting in the UK 2010/11: Based on International Financial Reporting Standards (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.4 Changes to the accounts include:
- The Inclusion of a new statement called the Movement in Reserves Statement.
  - Renaming of the Income and Expenditure Account to the Comprehensive Income and Expenditure Statement (CIES).
  - A review of all contracts that are in existence to determine if they contain a lease and if they do, sourcing information from the inception of the contract to identify the asset values and associated costs (known as an embedded lease). The Street Scene Contract and the Contract with Wigan Leisure & Culture Trust have been identified as having embedded leases and in 2010/11 the value attributed to these assets is £2.663m.
  - Capital grants and contributions are credited to the CIES when they are received rather than as an asset is depreciated.

### 2. Explanatory Foreword

- 2.1 The purpose of the Explanatory Foreword is to provide an easily understandable guide to the most significant matters reported in the accounts. It includes details of:
- The statements included in the accounts.
  - A summary of the Councils revenue income and expenditure for the year and variances against the previous year's figures.

- A summary of capital expenditure and how this was financed.
- Changes to accounting policies and practice.
- Any other significant matters.

3. Statement of Responsibilities for the Statement of Accounts

3.1 This statement sets out the various responsibilities for the accounts:

- The Council’s responsibilities under local government legislation.
- The Executive Director s151 legal and professional responsibilities.

3.2 This statement must be signed by the Chair of the meeting which approves the accounts and the Executive Director s151.

4. Movement In Reserves Statement

4.1 This statement shows the movement in the year on the different reserves held by the Council analysed into “usable reserves” (those that can be applied to fund expenditure or reduce local taxation) and other reserves or “unusable reserves”. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the Council’s services. These are different from the statutory amounts that are required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwelling rent setting purposes.

Description	2009/10 £000’s	2010/11 £000’s	Variance £000’s	Comment
(Surplus) / Deficit on Provision of Services	5,834	47,539	41,705	The majority of the variance is as a consequence of the change in value of the Council Housing stock which is explained below.
Revaluation Gains	(12,037)	(278)	11,759	Increases in Council Dwelling values in 2009/10.
Impairment Losses chargeable to Revaluation Reserve	1,967	7,864	5,897	Part of the Valuation loss was offset against the Revaluation account balance for Council Houses of £7,692.
Movement in Pension Reserve	3,461	(4,225)	(7,686)	This is the impact of updating the valuation information in the pension fund as a consequence of the triennial revaluation

## APPENDIX B

				which took place in 2010/11. Whereby, the value of the pension fund assets is fully recalculated and any interim actuarial assumptions adjusted. The value of the pension fund has improved as a consequence.
Impairment Losses Charged to Income & Expenditure Statement	6,747	49,007	42,260	Asset valuation losses in excess of revaluation account balance which are subsequently charged to the Income & Expenditure account. The majority of the loss relates to Council Dwellings.
Reversal of Retirement Benefits Dr/Cr to I&E	(2221)	698	2,919	This is the adjustment to the pension charges included within the accounts to ensure that the charges to the CIES match the amounts actually paid to the pension fund in 2010/11.
Reversal of Major Repairs Allowance	3,166	816	2,350	The major repairs allowance grant actually available in 2010/11 to complete the decent homes project. The Council was permitted to draw down £1.2m of the 2010/11 allowance early in 2009/10 under the government initiative
Balance on Reserves at 31 March	155,915	105,015	(50,900)	This represents the reduction in the net wealth or value of the Council as a consequence of the movements referred to above.



5. Comprehensive Income and Expenditure Statement

5.1 The purpose of the Comprehensive Income and Expenditure Statement is to show the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (council tax) or dwelling rents.

- Expenditure and income directly related to the services provided by the Council (Net total £56.156m).
- Expenditure and income not directly attributable to services but to the Council as a whole (When added to the Net Cost of Services above this totals £60.710m).
- Income received in respect of general government grants and local taxation (Bringing the overall net total of this statement to £47.539m).

The total on this statement represents the net surplus or deficit on the Council's provision of services for the year.

5.2 When considering this statement Councillors should note the following major variances between 2009/10 and 2010/11:

Description	2009/10 £000's	2010/11 £000's	Variance £000's	Comment
Local Authority Housing (HRA)	3,859	(458)	(4,317)	The main decrease in costs related to depreciation and impairments £5.988m. £2.997m on increased subsidy payable due to the MRA advance in 2009/10. There was increased rent income £203k and £749k of charges for services & facilities. There were other reduced costs of £637k.
Exceptional Costs EUV-SH Adjustment	-	48,828	48,828	This represents the reduction in value of the Councils Housing Stock due to a change in the index that is used to calculate the value.
Exceptional Costs – Pension Inflation Change	-	(2,244)	(2,244)	This represents the gain in value which is refunded to services as a consequence of the changes in the valuation of the pension fund.

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Investment Interest Income	(936)	(348)	588	Decrease due to rate of return available on investments and cashflows resulting from the current economic climate with the bank base rate being at its historical low of 0.5%. The average rate earned on investments was 1.26% in 2010/11 compared to 3.41% in 2009/10.
Pensions Interest Cost and Expected Return in Pensions Assets	1550	1,153	(397)	This is the decrease in net loss based on actuarial assumptions between the pension liability on future benefits payable, and a reduction in investment returns.
Non-domestic Rates Redistribution	(5,419)	(5,902)	(483)	Changes to grant allocation.
Revenue Support Grant	(1,250)	(857)	393	Changes to grant allocation.
Revaluation Gains	(12,037)	(278)	11,759	Lower valuations has resulted in Gains turning to losses
Impairment Losses	1,967	7,864	5,897	Lower valuations has resulted in Gains turning to losses
Actuarial (Gains)/ Losses on Pension Fund Assets & Liabilities	3,461	(4,225)	(7686)	See explanation on Movement in Reserves Statement

5.3 Councillors will note that the Net General Fund Balance has moved from a deficit of £5.834k at the end of 2009/10 to a deficit of £47.539m at the end of 2010/11 – the variances identified above make up the majority of this movement.

### 6. Balance Sheet

6.1 The purpose of the balance sheet is to show what the Council's assets and liabilities are at the end of the year.

6.2 Councillors may wish to note the following explanations for key variances when

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compared with 2009/10.

Description	2009/10 £000's	2010/11 £000's	Variance £000's	Comment
Property Plant & Equipment.	167,328	116,591	(50,737)	Desk top review of Council dwellings reflecting the Decrease in property value as a result of the Existing use Value Social Housing Index
Long Term Investments	2,023	15	(2,008)	Investments switch to shorter term due to current interest rates on offer.
Short Term Investments & Loans	20,977	18,185	(2792)	The decrease reflects the Capital Investment in the New Civic Building.
Short Term Debtors	7,369	6,955	(414)	This is due to improved collection rates on outstanding Debts
Short Term Borrowing	(1,558)	(2,704)	(1,146)	2010 Borrowing lower than normal, back to the long term trend level.
Defined Benefit Pension Scheme	(24,749)	(18,496)	6253	Tri annual Actuarial valuation has produced a gain of £5.7m
Finance Leases	(1,709)	(2,163)	(454)	Embedded leases increased over the last two years for Vehicles and Gym equipment.
Housing Revenue Account	2,559	1,671	(888)	The loss in value on council Houses was offset against adjustments in Reserves
Capital Receipts Reserve	(2,065)	94	2,159	£2.063m applied to finance new Capital Investment in the Year
Revaluation Reserve	10,116	2,459	(7,657)	The HRA reserve for Council Houses has been used to offset the Revaluation downwards on Council Houses.
Pension Reserve	(24,749)	(18,496)	6,253	Tri annual Actuarial valuation has produced a gain of £5.7m
Capital Adjustment Account	155,337	108,242	(47,095)	£50.029m of Costs are associated with Depreciation & Impairment

7. Cash Flow Statement

7.1 The purpose of the cash flow is to show the inflow and outflow of cash as a result of transactions that have occurred between the council and third parties. The cash flow analyses these transactions between those associated with revenue operations and capital activities.

7.2 Councillors may wish to note the following explanations for key variances when compared with 2009/10.

Description	2009/10 £000's	2010/11 £000's	Variance £000's	Comment
Employees	8,793	7,977	(816)	Reflects the reduction in staffing costs through holding posts vacant restructures and reviews of service delivery.
Other Operating Cash Payments	24,819	33,482	8,663	Numerous variances make up the difference, the more significant being £8.486m for payments on behalf of the PCT for the Selby Community Project. Offset by completion of the Urban Renaissance programme in 2009/10 £-1.947m. Additional net housing subsidy re 2009/10 advance or major repairs allowance grant £1.2m
Housing Benefits	7,823	9,056	1,233	Reflects the increased demand for benefits during the current economic climate.
Non-domestic rate pool	(5,419)	(5,902)	(483)	Represents payment of SDC share of grant from pool. SDC share from pool increased.
Revenue Support Grant	(1,251)	(857)	394	Revenue support grant allocation decreased in 2010/11.
DWP grants for benefits	(18,035)	(18,823)	(780)	Increase in grant paid in respect of increased rent allowance payments on the in year grant claims.
Other government grants	(2,240)	(1,280)	1,140	Major changes arise through reductions in Planning Delivery Grant £673k and PFI

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				grant £134k. DFG & Single Capital Pot Grant reclassified to capital £378k. Offset by receipt of other one off in year grants such as habitat directive (£17K) and personal search fee grant (£34k).
Goods and services	(12,165)	(22,524)	(10,359)	The contributions from the PCT for the Selby Community Project £10.628m.
Capital expenditure on fixed assets	7,075	7,736	661	Decreased capital expenditure on the modernisation of Council dwellings £2.577m, offset by expenditure on Selby New Civic Centre Project £3.223m.
Other capital cash payments	59	584	525	Reflects amendment of analysis of capital payments relating to assets not in the ownership of the Council – such as Improvement Grants and Urban Renaissance. Previously included as part of other operating cash payments.
Capital grants received	(3,347)	(2,771)	576	Reflects the early draw down in 2009/10 of 2010/11 Major Repairs Allowance grant for the Decent Homes Programme.
Increase / (decrease) in short term investments	2,013	(2,015)	4,028	In 2009/10 there was an increase in short-term investments however in 2010/11 there has been a decrease. This reflects the movements in temporary cash available for investments as capital projects such as decent homes and the community office project proceeded or were completed.
Increase / (decrease) in	550	4,806	4,256	Reflects the receipt of cash from CLG in respect of

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other liquid resources				overpayments to the NNDR pool for rates during 2009/10 £3.2m and increase in cash available as a consequence of the reduction in long term investments.
Repayments of amounts borrowed	17,515	6,013	(11,502)	Larger balances kept resulting in less need for short term borrowing.
Repayments of Leases	182	475	293	2010/11 is for a full 12 Months but 2009/10 is only a part year.
New Loans raised	(2,600)	-	2,600	This was the PWLB borrowing for the new Civic Centre. No new long term borrowing was taken in 2010/11
New Short Term Loans	(15,000)	(7,000)	8,000	Larger balances kept resulting in less need for short term borrowing

### 8. Statement of Accounting Policies

- 8.1 The purpose of the Statement of Accounting Policies is to explain the concepts or rules that have been used in preparing the accounts. The various policies have been chosen by the S151 Officer and Councillors need to satisfy themselves that these policies are reasonable – for example the frequency of asset re-valuations.

### 9. Explanatory Notes to the Statement of Accounts

- 9.1 The purpose of these notes, are to provide the reader of the accounts with more information on certain aspects. Accounting guidance determines what the notes are to contain although the Council is free to add additional information if it is felt that this will help interpretation. For example notes 4 to 10 are additional notes, which show the amount of expenditure and income for each major service area.

### 10. Housing Revenue Account Income & Expenditure Statement, Movement on the Housing Revenue Account Statement and Note to the Movement on the Housing Revenue Statement.

- 10.1 The Housing Revenue Account (HRA) is a statutorily ring fenced account, to be accounted for completely separately to the General Fund. The purpose of the HRA Income and Expenditure Account, Statement of Movement on the HRA Balance and Note to the Statement of Movement on the HRA Balance is the same as for the General

Fund.

- 10.2 The information from the HRA statements are then combined (known as consolidated) with the General Fund to give the overall position of the Council's financial health.
- 10.3 Councillors may wish to note the following explanations for key variances when compared with 2009/10:

Income & Expenditure Account

Description	2009/10 £000's	2010/11 £000's	Variance £000's	Comment
Negative Housing Revenue Account subsidy payable	1,046	4,043	2,997	A reduction of £2.349 on the allowance for Major Repairs
Depreciation & Impairment of Non – Current Assets	7,832	1,844	(5988)	The major change is separated out below leaving the normal level of write downs.
Impairment of Council Dwellings	-	48,828	48,828	Desk top review of Council dwellings reflecting the Decrease in property value as a result of the Existing use Value Social Housing Index
Dwelling Rents	9,563	9,766	203	Rents rose in line with restructuring policy which saw an average 2.3% increase.
Charges for Services & Facilities	377	1,126	749	A change in the way the overheads are spread shows an increase in income that should be offset against an increase in costs. For example the Supervision and Management.
HRA share of other amounts included in the Whole Authority Cost of Service but not allocated to specific services	12	(678)	(690)	Again, accounting changes have resulted in variances that are not Cash amounts.
Interest and Investment	(200)	(58)	142	This is the HRA proportion of interest earned on

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income				investments over the year. The impact of the economic crisis has continued to cause significant reductions in interest earnings.
Pensions interest cost and expected return on assets	558	277	281	Due to increased pension liabilities interest costs increased coinciding with a low return on assets.

### Note to the Movement on the HRA Statement

Description	2009/10 £000's	2010/11 £000's	Variance £000's	Comment
Difference between any other item of income & expenditure determined in accordance with statutory HRA requirements	(6,005)	(48,674)	(42,669)	This is the reversal of impairment charges from the annual desktop review of council dwellings and other HRA assets reflecting the decrease in property value as a result of the Existing use Value Social Housing Index
Gain or Loss on Sale of HRA non-current assets	28	193	165	3 Properties sold against only 1 the previous year.
Capital expenditure funded by the Housing Revenue Account	1,308	1,085	(223)	This is a planned contribution from revenue towards the Decent Homes Programme. Completed in December 2010
HRA share of contributions to / (from) the Pensions Reserve	(320)	448	768	Adjustment arising from Actuarial review of the Pension Fund.
Transfer to / (from) major repairs reserve	1,385	(1,182)	(2567)	The contribution the £1.2m of additional subsidy received in advance for the decent homes programme was used in 2010/11.
Transfer to / (from) Housing Carry Forward Budget Reserve	-	1,121	1,121	Carry Forward as Authorised.



11. Housing Revenue Account Notes

11.1 There are no further issues that need to be brought to Councillors attention.

12. Collection Fund

12.1 The Collection Fund reflects the statutory responsibilities for billing authorities to maintain a separate account for the transactions relating to the collection of Council Tax and National Non-domestic Rates and the distribution of these monies to precepting authorities and central Government. The costs of administering collection are accounted for in the General Fund.

12.2 The major variances on the Collection Fund are highlighted below:

Description	2009/10 £000's	2010/11 £000's	Variance £000's	Comment
Income from Council Tax	(39,718)	(41,372)	(1,654)	This is the total council tax to be collected from the public (net of benefits) and has increased in line with the council tax levels set by precepting authorities.
Transfers from General Fund	(4,302)	(4,691)	(389)	This is due to increased claims inline with economic trends.
Income collectable from business ratepayers	(27,745)	(27,300)	445	This represents the income collectable from local businesses in respect of national business rates which are then paid over to Central Government (see payment to national pool below). The decrease relates to reduced rateable values and rate relief.
Precepts and demands	43,705	45,372	1,667	Increase relates to the other precepting authorities – details of the precepts are included in note 4 to the Collection Fund.
Business Rates - Payment to National Pool	27,319	26,598	(721)	This reflects the reduction in business rates collected and economic trends.
Bad and doubtful debts	126	729	603	Increase in write-offs in 2010/11 but a reduction in

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				the provision for Bad Debts.
Contribution towards previous year's Collection Fund Surplus	(367)	-	367	There was no Collection Fund deficit in 2009/10 so no contribution was received in 2010/11.

### 13. Annual Governance Statement

- 13.1 The Annual Governance Statement reviews the effectiveness of the Council's internal control systems for the year of account and, in accordance with the Accounts and Audit Regulations 2003 forms part of the Council's statutory Statement of Accounts. The statement is covered by a separate report on the Committee's agenda.

### 14. Conclusions

- 14.1 The Council budgeted to make a £15k surplus on the General Fund for the 2010/11 financial year, which was to be transferred to Balances (see page 6 of the Explanatory Foreword). The actual position for the year shows a surplus of £15k. In addition savings of £71k enabled a contribution to the Spend to Save Reserve £71k to be made. The reasons for variances against various budgets are set out in the Explanatory Foreword but mainly relate to Housing Benefits, Recycling, Planning Services, Sport & Recreation and Refuse Collection.
- 14.2 The Housing Revenue Account (HRA) was forecast to require £1.204m from its balances to support its capital programme; however the actual requirement was £888k leaving a variance saving of £316k – again the reasons for this variance are set out in the Explanatory Foreword. This deficit has been transferred from the Housing Revenue Account Balance.
- 14.3 Capital expenditure for the General Fund and HRA totalled £8.490m against a budget of £11.101m, giving a variance of £1.533m on the General Fund and £1.058k on the HRA. This is due to slippage and timing of projects including building refurbishments, grants to outside organisations, implementation of IT projects and council housing improvements such as the Airey properties. Work on these projects has been carried forward to 2011/12 when they will be completed or rescheduled for a later date.
- 14.4 The following table highlights extracts from the Statement of Accounts to show the key elements of the Council's financial position at the end of March 2011 compared with the previous financial year.

Description	As at 31 March 2010	As at 31 March 2011	Movement	Comment
Number of	3,158	3155	-3	There were three Council

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Council dwellings				House sales during 2010/11.
Liability related to Defined Benefit Pension Schemes £000's	(24,749)	(18,496)	(6,253)	Movement as a result of changes in actuarial valuation and assumptions as a consequence of increases in the value of benefit obligation, including actuarial losses on liabilities. The increased pension fund deficit is based on future liabilities as at 31 March 11.
HRA Balance £000's	2,559	1,671	(888)	Planned contribution from HRA balances to support the budget in 2010/11 was £1.204m due to budget savings this contribution reduced to £888k.
Major Repairs Reserve £000's	-	-	-	Decent Homes Programme has finished for the time being.
Total Net Worth £000's	155,915	105,015	-50,900	The reduction in Property Valuation, in particular the Council houses, accounts for the reduction in Net Worth.

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**To:** Audit Committee  
**Date:** 28<sup>th</sup> Sept 2011  
**Author:** James Ingham CPFA  
**Lead Officer:** Executive Director (s151 officer)

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**Title:** Annual Governance Statement 2010/2011

**Summary:** This report presents the Annual Governance Statement [AGS] 2010/11 for approval.

**Recommendations:**

**It is recommended that the AGS for 2010/11 be approved.**

**Reasons for recommendation**

The AGS has been completed in accordance with proper practice, and identifies a number of 'significant issues' that members may wish to consider.

It must be approved by the Audit Panel, and will be signed by the Leader of the Council and the Chief Executive.

**1. Introduction and background**

- 1.1. Good governance is important to all involved in local government. However it is a key responsibility for the leader of the council and of the chief executive.
- 1.2. The preparation and publication of an annual governance statement in accordance with the Cipfa/SOLACE Framework is necessary to meet the statutory requirement set out in Regulation 4(2) of the Accounts and Audit Regulations which requires authorities to "conduct a review at least once in a year of the effectiveness of its system of internal control" and to prepare a statement on internal control "in accordance with proper practices".
- 1.3. The changes in the council's democratic and management structure have been reflected in the AGS, whilst retaining sufficient information

and evidence for the previous governance system to cover the whole 2010/2011 year.

## **2. The Report**

- 2.1. The Cipfa/SOLACE Framework defined proper practices for the form and content of a governance statement that meets the requirement to prepare and publish a statement on internal control. There is no requirement to prepare and publish a separate statement on internal control.
- 2.2. Cipfa/SOLACE defined proper practices for the form and content of a governance statement that meets the requirement to prepare and publish an AGS.
- 2.3. Subsequent to the CIPFA “Statement on the Role of the Chief Financial Officer in Local Government” which was issued in 2010, it is now expected that the AGS will include a specific statement on whether the Council’s financial management arrangements conform to the governance requirements of the CIPFA “Statement on the Role of the Chief Financial Officer in Local Government”. Furthermore where they do not, to explain why, and how the Council’s arrangements deliver the same impact.
- 2.4. At Selby there is full compliance. The Executive Director (S151 officer) is a member of the Strategic Management Team.
- 2.5. The External Auditor will be considering the AGS as part of his auditing of the Statement of Financial Accounts. The Auditor is required to issue his opinion on the accounts and sign them off. Any matters arising from the audit work of the External Auditor will be brought to the attention of this Committee in due course.
- 2.6. CIPFA guidance defines the purpose of the AGS process ~ “to provide a comprehensive review of the effectiveness of an organisation's internal control and risk management systems so as to give assurance on their effectiveness and/or to produce an action plan to address identified weaknesses in either process. At its most effective the process of preparing the AGS will add value to the corporate governance and internal control framework of an organisation”.
- 2.7. The AGS is therefore a public assurance that a local authority has a sound system of internal control, designed to help manage and control risks that will impede the achievement of its objectives. The AGS should not be seen as a purely financial requirement, but as an important public expression of what the Council has done, how it sets priorities, monitors performance, and has put in place good business practice. It is also about the process for ensuring high standards of conduct and is a means of demonstrating sound governance. The

requirement for it to be signed by at least the Leader and the Chief Executive reflects the importance with which it is viewed.

- 2.8. In common with most local authorities, the Council has a well-established system of internal control in place. However, the AGS process requires the Council to formally demonstrate what these controls are and how they safeguard against the most significant risks to the organisation and to gain assurance, based on evidence, that these controls are operating effectively, or where they are not, to identify areas for improvement.
- 2.9. Assurance can be provided by evidence from a number of sources including: inspection reports, external audit reports, internal audit reports and direct assurance from managers. It is the responsibility of both Members and Chief Officers to obtain and provide such assurance. The production and publication of an AGS is therefore not an isolated act, but the final stage in a continuing review of internal control processes and procedures.
- 2.10. The AGS is attached.

### **3. Legal/Financial Controls and other Policy matters**

#### **3.1. Legal Issues**

None, as the preparation, and approval of the AGS meets legal obligations.

#### **3.2. Financial Issues**

None.

### **4. Conclusion**

- 4.1. The Statement represents progress towards setting the highest Corporate Governance standard meets the requirements of the Accounts and Audit Regulations
- 4.2. The process of preparing the governance statement should itself add value to the corporate governance and internal control framework of an organisation.

### **5. Background Documents**

***Cipfa/Solace Good Governance Framework & Guidance  
Cipfa Finance Advisory Network ~ AGS 'Rough Guide' for practitioners.***

***Cipfa/Solace Application Note to Delivering Good Governance in Local Government: a Framework. (March 2010)***

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**Appendices:**

Appendix A: Selby DC Annual Governance Statement 2010/2011



# **Annual Governance Statement 2010/11**



# Appendix A

## Revision Control Table

<b>Document Title:</b> Annual Governance Statement
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<b>Owner:</b> Karen Iveson: Selby District Council
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<b>Author:</b> Karen Iveson James Ingham	<b>Title:</b> Executive Director (s151) Head of Partnership; North Yorkshire Audit Partnership
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<b>Version:</b> 1.0	<b>Release Date:</b> dd/mm/2011
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### Change History

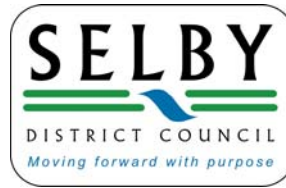
Date	Version	Change Detail
dd/08/11	1.0	1 <sup>st</sup> Draft for Chief Executive Signature

### Approval Tree – Version 1.0

Role	Name	Title	Initials	Date
Approved for Release	Karen Iveson	Executive Director (s151)	KI	
Approved	Martin Connor	Chief Executive		

### Distribution List – Version 1.0

Name	Title	Date
Karen Iveson	Executive Director (s151)	
Martin Connor	Chief Executive	



## **Annual Governance Statement (AGS)**

### **1. Scope of Responsibility**

- 1.1 Selby District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

### **2. The Purpose of the Governance Framework**

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.
- 2.3 The revised governance framework comprising the structure changes (effective 5<sup>th</sup> May) has now been established at the Council for the 2011/12 year commencing 1<sup>st</sup> April 2011. It was fully implemented from 7<sup>th</sup> July and established in place at the date of approval of the Statement of Accounts for the 2010/11 financial year.

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- 2.4 The changes arise from the modernisation of the Council, and are being reported in this Governance Statement to reflect the current position. The following section of the AGS covers the differences in the governance system that existed between 1<sup>st</sup> April 2010 to 5<sup>th</sup> May and 7<sup>th</sup> July 2011.

## 3. Selby District Council's Governance Framework ~ April 2010 to July 2011

This section contains information specifically relating to the period April 2010 to June 2011, after which date the Governance Framework changed, and the revised, current, arrangements are described in subsequent sections.

- 3.1 The key elements of the Council's Governance Framework for 2010/2011 that were in place and now have changed are as follows:-

- The Council was and continues to be part of a Local Strategic Partnership (LSP) comprising key stakeholders in the District. The LSP produced a Community Strategy for the Selby District setting out a vision for the Selby District over the 5-year period 2010-2015.
- Policy and decision making was facilitated through the operation of a Policy and Resources Committee with certain decision-making responsibilities delegated to three Boards (Economy, Social and Environment). Each of these acted within defined terms of reference agreed by the full Council. Meetings were, and continue to be, open to the public other than when exempt or confidential matters are being disclosed. The public have an opportunity to participate in the meetings.
- Both Policy and Resources Committee and the Boards were overseen by the Council's Overview and Scrutiny function, which had the ability to call-in and review decisions and also to contribute to the development of policy. The Council also had a Standards Committee, to oversee the conduct of Members and Officers, which continues, and an Audit Panel, now operating as an Audit Committee. Other regulatory functions (i.e. Planning and Licensing) were overseen by separate arrangements and these are accountable directly to the full Council. These regulatory aspects are now covered by the three Regulatory Committees (Standards, Planning, and Licencing).
- In the absence of a permanent Head of Legal and Democratic Services, the Deputy Chief Executive was appointed as the Council's Monitoring Officer.
- The Head of Service - Finance was appointed as the officer with statutory responsibility for the proper administration of the Council's financial affairs, in accordance with the Section 151 of the Local Government Act 1972. The s151 Officer was not a member of the Strategic Management Team, but as the Chief Executive is CIPFA qualified it was considered that there was

# Appendix A

effective financial acumen and advice available to the Management Team. This has now changed with the Executive Director (s151) being that appointed officer and being a member of the Strategic Management Team. (see subsequent paragraphs)

## 4. Selby District Council's Governance Framework ~ from July 2011

4.1 The key elements of the Council's Governance Framework are as follows:-

- The Council is part of a Local Strategic Partnership (LSP) comprising key stakeholders in the District. The LSP has produced a Community Strategy for the Selby District setting out a vision for the Selby District over a 5-year period 2010-2015.
- The Council's contribution to the aims of this Strategy is reflected in its Corporate Plan. The current plan, which was approved by the executive, covers the period 2011-12 and sets out the Council's strategic themes and priorities for this period which have been identified and developed in consultation with the public and key partners. A further Corporate Plan to cover the extended period 2012-15 is currently in consultation.
- The formal Constitution sets out how the Council operates, how decisions are made, and the procedures that are followed to ensure that these are lawful, efficient, transparent and accountable to local people. This incorporates the Members' Code of Conduct and a number of other locally agreed codes and protocols.
- The Council's budget and policy framework is set by the full Council. The Executive has delegated authority to operate and make decisions within the framework. Some powers are delegated to senior officers.
- In addition to the executive there are three specific regulatory committees for Licencing, Planning, and Standards. These have independent powers within their legislative framework. Each of these acts within defined terms of reference agreed by the full Council.
- Both the Executive and the Regulatory committees are subject to review by the Council's Overview and Scrutiny function, which has the ability to call-in and review decisions and also to contribute to the development of policy. There are two statutory scrutiny committees: - Policy Review, and Scrutiny. The Audit Committee also contributes to scrutiny and overview..
- The Council has established five Community Engagement Forums (CEF) and is working with them in the development of locally based service delivery options using separate and limited funds.

## Appendix A

- Meetings are open to the public except when exempt or confidential matters are being disclosed. The public have an opportunity to participate in some of the meetings.
- A number of areas are delegated to officers for the purposes of decision-making; however, limits on the exercise of delegation are laid down in an approved Scheme of Delegation to Officers forming part of the Council's Constitution.
- The Council has adopted a Local Code of Corporate Governance which is reviewed by the Audit Committee.
- The Council also has separate Whistle-blowing, and Anti-Fraud & Corruption policies. The low level of cases points towards a Council that has a strong and effective counter-fraud and corruption culture.
- The Deputy Chief Executive has been appointed as the Council's Monitoring Officer. The appointment of a Monitoring Officer is required in accordance with Section 5 of the Local Government and Housing Act 1989. It is the function of the Monitoring Officer to report to Members upon any contravention of any enactment or rule of law or any maladministration by the Authority. The Monitoring Officer also has responsibilities under the Council's Ethical Framework relating to the Members' Code of Conduct and the Standards Committee.
- The Executive Director (s151) is the officer with statutory responsibility for the proper administration of the Council's financial affairs, in accordance with the Section 151 of the Local Government Act 1972. The Executive Director (s151) is a member of the Strategic Management Team.
- Both the Statutory Officers referred to above have unfettered access to information, to the Chief Executive and to Members of the Council in order that they can discharge their responsibilities effectively. The functions of these Officers and their roles are clearly set out in the Council's Constitution.
- A financial management framework comprising:
  - Financial and Procurement Procedure Rules as part of the Constitution;
  - Medium-term financial planning using a three-year cycle, updated annually, to align resources to corporate priorities;
  - Service and financial planning integrated within the corporate performance management cycle;
  - Annual budget process involving scrutiny and challenge;
  - Monthly monitoring by management of revenue and capital budgets – with regular reports to the respective Committee/Board;
  - Evolving arrangements for securing efficiencies and continuous improvement;

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- Production annually of a Statement of Accounts compliant with the requirements of local authority accounting practice.
- Compliance with requirements established by CIPFA..
- A performance management framework provides an explicit link between the corporate priorities and personal objectives of Council Officers. Performance is reported to Members and the Council's Strategic and Corporate Management Teams on a systematic basis with areas of poor performance investigated.. Key features of the Performance Management Framework include:-
  - A regular review of the Corporate Plan to ensure that priorities are reviewed, remain relevant and reflect the aims of the Council;
  - Service specific Strategic Plans which are produced with explicit goals and associated performance targets in order to ensure that achievement of performance is measurable;
  - The Council's staff appraisal system – Joint Progress Reviews - links personal objectives directly to Service Plans;
  - Regular reports on the performance of key indicators which are presented to Members and Officers;
  - The use of Performance Clinics to focus on performance management;
  - Additionally during 2010/2011; The production of an annual Performance Plan, otherwise referred to as the Annual Delivery Plan, providing commentary and data on the previous year's performance and outlining the Council's plans and intentions for the forthcoming year
- The Council maintains a professional relationship with the Audit Commission, the body responsible for the external audit and inspection of the Council.
- Recruitment and selection procedures are based on recognised good practice and all staff posts have a formal job description and person specification. Services are delivered and managed by staff with the necessary knowledge and expertise with training needs identified via the formal appraisal process contributing to a corporate training strategy.
- The maintenance of systems and processes to identify and manage the key strategic and operational risks to the achievement of the Council's objectives. Risk management continues to evolve within the Council and presently includes the following arrangements:-
  - a Risk Management Policy and Strategy has been adopted by the Council and is reviewed annually;
  - the establishment of a Risk Register comprising both Corporate and Operational risks, assigned to designated officers, with appropriate counter-measures and an action plan established for each key risk;

## Appendix A

- Corporate Management Team, (2010/2011, this was undertaken by an officer working group reporting to the then Operational Management team)) keep the corporate risk management arrangements under review;
  - periodic review of risks in-year with reports to Members and the Strategic Management Team;
  - amended terms of reference for the Audit Committee (2010/2011 ~ Audit Panel) to include Member review of the implementation of the Risk Management Strategy;
  - the use by Internal Audit of a risk based approach in the preparation and delivery of the internal audit plan;
  - the requirement for Officers of the Council to consider risk management issues when submitting reports to the Executive and Council for consideration by Members;
  - the adoption of an abridged version of the PRINCE2 Project Management Methodology as a means of contributing to the effective management of risks in major projects.
- The maintenance of an adequate and effective system of Internal Audit is a requirement of the Accounts & Audit Regulations. Internal Audit at Selby DC is provided through the North Yorkshire Audit Partnership, a joint service provision by five district councils in North Yorkshire. It operates in accordance with the statements, standards and guidelines published by CIPFA (particularly the 2006 Code of Practice for Internal Audit in Local Government in the United Kingdom) and the Chartered Institute of Internal Auditors.
  - Internal Audit examines and evaluates the adequacy of the Council's system of internal controls as a contribution to ensuring that resources are used in an economical, efficient and effective manner. Internal Audit is an independent and objective appraisal function established by the Council for reviewing the system of internal control.
  - This work is delivered by way of a Strategic Audit Plan developed using a risk-based approach. Audit plans are agreed and monitored by the Audit Committee with client responsibility assigned to the Executive Director (s151). Internal Audit is required to give an opinion on the adequacy of the Council's system of internal control each year.
  - The Council seeks to ensure resources are utilised in the most economic, effective and efficient manner whilst delivering continuous improvement as it has a duty to do so under the Best Value regime. It aims to achieve this by a variety of means including the following:
    - Service Reviews
    - Working with partners
    - External and Internal Audit feedback.

## 5. Review of Effectiveness

The Council has a responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review takes account of the work of internal audit and the Council's Strategic, and Corporate Management Teams who have a responsibility for the development and maintenance of the governance environment, and also by comments made by external auditors and other review agencies and inspectorates.

The purpose of a review is to identify and evaluate the key controls in place to manage principal risks. It also requires an evaluation of the assurances received, identifies gaps in controls and assurances and should result in an action plan to address significant internal control issues.

The process that has been applied in maintaining and reviewing the effectiveness of the Council's system of internal control includes the following:

- The Council's Monitoring Officer and Standards Committee oversee the operation of the Constitution to ensure its aims and principles are given full effect.
- The former arrangements for Overview and Scrutiny have operated throughout the year allowing for the review of key policy areas and providing opportunities for public involvement in specific matters of business. The revised arrangements have operated since 1<sup>st</sup> April 2011.
- The Audit Committee (Audit Panel during 2010/2011) met throughout the year and received reports on the progress by Internal Audit against their work plan. The Committee (Panel; 2010/2011) also considered auditable areas where Internal Audit raised significant internal control concerns.
- The Executive Director (s151) supports the Audit Committee (Panel; 2010/2011) and attends all meetings of the Committee (Panel; 2010/2011).
- Internal Audit completes a programme of scheduled audits during the year according to its plan including follow up audits. There were no specific investigations in the year. All high risk and key financial systems were audited. The overall opinion expressed by Internal Audit stated:-

*"Our overall opinion is that the internal controls within the financial systems in operation throughout the year are fundamentally sound."*  
In addition the Annual Report from Internal Audit stated *"[This assessment] is based upon our examination of the key financial systems as part of the managed audit approach, and the other financial systems that were actually audited. On that basis and our previous experience and knowledge there is no reason to believe that the systems are other than sound."*

Notwithstanding this, the Internal Audit has raised concerns about certain auditable areas during the course of their work and these matters will be kept under review during 2011/12.



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- Although the formal tri-ennial review of Internal Audit by the External Auditor (Audit Commission) is no longer undertaken, the Accounts and Audit Regulations now require that the Council undertake, annually, a review of the 'effectiveness of its internal audit'. This has been done and reported to the Audit Committee (Panel; 2010/2011). No material areas of concern were noted. The External Auditor (Audit Commission) has not identified any issues with the standard or quality of work undertaken by Internal Audit.
- The Council's Risk Register has been maintained under review during the year and updated accordingly. The wider Risk Profile featuring a larger number of service specific risks was also revised during the year. Reports on risk management have been considered by the Strategic, and Corporate Management Team, and the Audit Committee (Panel; 2010/2011). The Audit Committee (Panel; 2010/2011) has approved a revised Risk Management Strategy.
- Monitoring information on key areas of performance has been provided to Strategic Management and Members on a regular basis with attention focused on those areas that are considered by the Council to be vulnerable.
- The External Auditor's Annual Letter and previous External Auditor reports to the Council highlighted that Selby District Council has progress in a number of areas: -
  - Further development of the Council's Savings and Efficiency Strategy.
  - Collaborating with other agencies to secure savings through economies of scale and examining the potential for shared management arrangements.
  - Continuing improvement in engagement with communities and using their views to inform service development.
  - Improving the training and development of members.
  - Developing a Climate Change Action plan to reduce its impact on the environment.and that councillors and officers have shown a clear and focussed commitment to improving performance, making much more likely than ever that residents and customers will get better services that match their needs.
- The External Auditor (Audit Commission) confirmed that the Council had satisfactory arrangements to secure Value for Money. In respect of the Council's Statement of Accounts, an unqualified opinion was issued. The report highlighted action to implement of IFRS and to ensure effective financial and resource management in light of the current economic recession.
- The External Auditor (Audit Commission) did not identify any significant weaknesses in the Council's internal control arrangements.

## 6. Significant Governance issues

No system of governance or internal control can provide absolute assurance against material misstatement or loss. This Statement is intended to provide reasonable assurance. In concluding this review of the Council's Governance Framework and Internal Control arrangements, two new issues have been identified that need to be monitored. A detailed plan to address existing weaknesses and ensure continuous improvement in the system of internal control has been produced in response and this will be subject to regular monitoring by the Council's Strategic Management Team and the Audit Committee, where appropriate. The aim is to address these weaknesses during the 2011/12 financial year. The table also provides an update on those issues identified in previous years.

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Year	Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
2009/10	Non-compliance with the Cipfa "Statement on the Role of the Chief Financial Officer in Local Government"	AGS, and self analysis	The self – analysis provides reasonable assurance that the Council is compliant with the new Cipfa Statement; the principal aspect of non-compliance is that the Head of Service – Finance (the S151 Officer) is not a member of the Council's Strategic Management Team (SMT). At present there is some comfort in that the Chief Executive as a member of the SMT is a member of Cipfa.	Head of Service – Finance  31 <sup>st</sup> December 2010	August 2011 ~: -Reconfigure corporate structure, and the Executive Director (s151); the s151 officer is now a member of the Strategic Management Team ~ Complete - issue resolved
2009/10	A number of concerns have been raised during the year with reconciliations between feeder and the main accounting system. As these are key building blocks of the council's accounting processes it is important that they are maintained effectively (i.e. timely, and accurately with variances being reported and investigated where required.)	Internal Audit Reports	Head of Service – Finance will direct and work with the Chief accountant and members of OMT to ensure that the Heads of Service maintain effectively the reconciliations under their control.	Head of Service – Finance Chief Accountant  30 <sup>th</sup> September 2010 Revised to 30 <sup>th</sup> Sept 2011	August 2011 ~ ~ change in main ledger system, and implementation of this led to delays with a number of reconciliations; ~ Chief Accountant tasked to schedule these and bring them up to date.
2010/11	Concerns around the reduction in staff numbers, with associated potential reduction in the efficacy of the control environment.	Change process,	IA involved in change management projects, clear objective to establish / retain an effective control environment, by looking to leaner control systems. The aim is to deliver sufficient control at a lower cost	Internal Audit; Executive Director (s151); Staff Directors, Business Manager  31/12/2011	August 2011 ~ IA involved with change management, and working with Access Selby Board. ~ IA plan amended to meet revised requirements of Selby DC.

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Year	Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
2010/11	There is a need to establish clear roles and responsibilities between Core Selby and Access Selby.	Change Process	<p>IA involved in change management projects, clear objective to establish / retain an effective control environment, by looking to leaner control systems.</p> <p>Core, and Access Selby are to continue the process of defining the relative roles and responsibilities, and reporting lines for the two parts of Selby DC.</p>	<p>Internal Audit; Executive Director (s151); Staff Directors, Business Manager</p> <p>Continuing, 30/9/2011</p>	<p>August 2011</p> <p>~ IA involved with change management, and working with Access Selby Board.</p> <p>~ IA plan amended to meet revised requirements of Selby DC.</p>

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**Martin Connor**  
Chief Executive

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**Councillor Mark Crane**  
Leader of the Council

# Annual governance report (first draft)

Selby District Council

Audit 2010/11



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**Traffic light explanation**  
Red ■ Amber ◆ Green ●



# Key messages

**This report summarises the findings from the 2010/11 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.**

	Our findings
Unqualified audit opinion	
Proper arrangements to secure value for money	
WGA pack consistent with financial statements and properly prepared	TBA

## Audit opinion and financial statements

The audit of the Council's financial statements is reaching completion. From the work carried out, we intend to give an unqualified audit opinion by the deadline of 30 September 2011.

From the work carried out so far, I have not identified any unadjusted material error or misstatements in the accounts. I discussed several issues with officers over the way items were disclosed in the accounts

to ensure compliance with the new Standards. The draft statements have been adjusted to reflect the outcome of those discussions.

## Value for money

I intend to issue an unqualified conclusion stating the Council has adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.

## Whole of Government Accounts (WGA)

I have not yet completed my work on your WGA return, and will give you a verbal update at the meeting of the Audit Committee on xx September 2011.

# Before I complete my audit

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## I confirm to you

My report includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

### **Independence**

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence. I can also confirm there were no relationships resulting in a threat to independence, objectivity and integrity.

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Council during 2010/11.

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## I ask you to confirm to me

### **I ask the audit committee to:**

- take note of the adjustments to the financial statements set out in this report ;
  - approve the letter of representation, provided alongside this report, on behalf of the Council before I issue my opinion and conclusion; and
-



# Financial statements

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**The audit of the Council's financial statements is reaching completion. From the work carried out, we intend to give an unqualified audit opinion by the deadline of 30 September 2010.**

## **Opinion on the financial statements**

Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft report.

## **Adjustments to the financial statements**

Of the £2.169m income shown in the Comprehensive Income and Expenditure Account (CIES) for non-distributed costs, £2.144m relates to past service gains resulting from changes in the value of the pension fund. These changes have not resulted in an income to the Council. We have agreed with officers that it would be more appropriate if the gains were accounted for as negative expenditure in the accounts. This would have the impact of reducing both the gross income and expenditure shown in the CIES by £2.144m.

# Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit.

## Key audit risk and our findings

Key audit risk	Finding
<p><b>1. International Financial Reporting Standards</b></p> <p>Non-compliance with International Financial Reporting Standards (IFRS) could lead to material errors in your 2010/11 financial statements. This was the first set of accounts since the introduction of the Standards and this brings with it an inherent increased risk of error.</p>	<p>I discussed several issues with officers over the way items were disclosed in the accounts to ensure compliance with the new Standards. Notable among these was the presentation of the impact of the change in the factor used for the valuation of social housing (£48.828m) and the past service gain in relation to pensions (£2.144m). Along with many others, the Council had elected to disclose these within the notes to the accounts as opposed to showing them on the face of the CIES based on guidance within Code of Practice on Local Authority Accounting. The guidance does not set out exactly how to set out how to present such items. This means that local authorities need to refer to International Accounting Standard 1 - Presentation of Financial Statements - and the Best Value Accounting Code of Practice (BVACOP)</p> <ul style="list-style-type: none"><li>■ paragraph 85 of IAS 1 requires material items to be presented separately on the face of the CIES where 'such presentation is relevant to an understanding of the entity's financial performance'; and</li><li>■ BVACOP notes that exceptional items are included within the net cost of services but are presented separately if "that degree of prominence is necessary to give fair representation of the accounts".</li></ul>

## Key audit risk

## Finding

### **2. International Accounting Standard 19 (IAS19) Disclosures**

Pension fund disclosures are an accounting estimate which, because of the large figures, high complexity and uncertain assumptions involved in the actuary's estimate, are inherently uncertain and hence a significant risk.

Following discussions with officers we agreed that given the significance of these two exceptional items it would be more appropriate for them to be shown on the face of the CIES. The draft statements have been adjusted to reflect the outcome of those discussions.

The auditor of North Yorkshire Pension Fund (Deloitte) has identified a difference between the estimate (provided by the actuary) and outturn in respect of the assets attributable to the Council. The Council has used the external auditor's valuation based upon the outturn position.

I have considered the impact of this issue, and in my view, the difference of 2.7 per cent is reasonable ie within an expected range of 2 to 3 per cent.

I have therefore concluded that the financial statements are not materially misstated.

### **3. Introduction of new financial systems**

New systems and IT management arrangements came into operation from 2010/11. If controls are not fully operational it could lead to errors in the financial statements.

I identified no errors that resulted from the changeover to the new systems. The work required to implement the new system led to some slippage in the completion of control account reconciliations but this has now been addressed.

The need to update the arrangements for systems access and IT policies and risk management in the new environment arose during the audit. I have discussed this with the Executive Director (s151) who has agreed to ensure that all outstanding matters have been resolved by the end of the current financial year.

# Financial statements

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## Significant weaknesses in internal control

No significant weaknesses have arisen during the audit to date that are relevant to preparing the financial statements. I have not yet been able to review the Annual Governance Statement as this has not yet been made available. I am not expressing an opinion on the overall effectiveness of internal control.

## Quality of your financial statements

This year has seen a significant change in requirements for the financial statements, notably the introduction of IFRS. While there have been issues arising from the audit, given the limited resources available to meet the challenges faced, in my view the officers did a creditable job in producing draft accounts on time.

As part of my work I consider aspects of your accounting practices, accounting policies, accounting estimates and financial statements disclosures. There are no matters I wish to bring to your attention.

## Significant difficulties encountered during the audit

I am pleased to report I did not identify any significant difficulties when undertaking my audit. Management were responsive to information I required to complete my work and were able to provide me with the audit evidence I sought in a timely manner, and in accordance with agreed timescales. There were no restrictions placed on me by management.

## Significant matters that were discussed or subject to correspondence with management

I have not discussed, or corresponded, with management on any significant matters that I need to report to you.

## Other significant matters relevant to the financial reporting process

I have no other significant matters relevant to the financial reporting process that I need to report to you.

## Letter of representation

Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements.

# Value for money

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**I am required to conclude whether the Council put in place proper corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.**

I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. My conclusion on each of the two areas is set out below.

I intend to issue an unqualified conclusion stating that the Council had proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

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## Value for money criteria and our findings

Criterion	Findings
<p><b>1. Financial resilience</b></p> <p><b>The organisation has proper arrangements in place to secure financial resilience.</b></p> <p>Focus for 2010/11:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p>From the work undertaken during the audit I have not identified any significant weaknesses in the Council's arrangements. I recognise the Council is undergoing a period of significant change in its governance and management arrangements and with the risk of a breakdown in systems and processes is increased. In addition, it is having to live with a decrease in the resources available to it.; but to date, there are no matters I wish to report to you.</p>

## Criterion

### 2. Securing economy efficiency and effectiveness

**The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.**

Focus for 2010/11:

The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

## Findings

The Council is undergoing a period of change in its approach to service and is seeking to achieve this at a time of reduced resources. Its success in achieving this will be dependent on future events. To date, I have not identified any significant weaknesses in the Council's arrangements that I wish to draw to your attention.

...

# Appendix 1 – Draft audit report

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## **Opinion on the authority accounting statements**

I have audited the accounting statements of Selby District Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Selby District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

## **Respective responsibilities of the Executive Director (s151) and auditor**

As explained more fully in the Statement of the Executive Director (s151)'s Responsibilities, Executive Director (s151) is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## **Opinion on accounting statements**

In my opinion the accounting statements:

- give a true and fair view of the state of Selby District Council's affairs as at 31 March 2011 and of its income and expenditure 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.

### **Opinion on other matters**

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

### **Matters on which I report by exception**

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

### **Conclusion on authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### **Authority's responsibilities**

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

#### **Auditor's responsibilities**

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### **Basis of conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.



The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Conclusion**

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Selby District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

### **Certificate**

I certify that I have completed the audit of the accounts of Selby District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Cameron Waddell

Officer of the Audit Commission

2nd Floor

Nickalls House

GATESHEAD

NE11 9NH

September 2011

# Appendix 2 – Glossary

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## Annual governance statement

A statement of internal control prepared by an audited body and published with the financial statements.

## Audit closure certificate

A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the financial statements.

## Audit opinion

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

## Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

## Materiality and significance

The Auditing Practices Board (APB) defines this concept as ‘an expression of the relative significance or importance of a particular matter for the financial statements as a whole. A matter is material if its omission would reasonably influence users of the financial statements, such as the addressees of the auditor’s report; also a misstatement is material if it would have a similar influence. Materiality may also be considered for any individual primary statement within the financial statements or of individual items included in them. We cannot define materiality mathematically, as it has both numerical and non-numerical aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

'Significance' applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit in relation to the financial statements. Significance has both qualitative and quantitative aspects.

## Weaknesses in internal control

A weakness in internal control exists when:

- a control is designed, set up or used in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements quickly; or
- a control necessary to prevent, or detect and correct, misstatements in the financial statements quickly is missing.

An important weakness in internal control is a weakness, or a combination of weaknesses that, in my professional judgement, are important enough that I should report them to you.

## Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

The Code of Audit Practice defines proper arrangements as corporate performance management and financial management arrangements that form a key part of the system of internal control. These comprise the arrangements for:

- planning finances effectively to deliver strategic priorities and secure sound financial health;
- having a sound understanding of costs and performance and achieving efficiencies in activities;
- reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people;
- commissioning and buying quality services and supplies that are tailored to local needs and deliver sustainable outcomes and value for money;
- producing relevant and reliable data and information to support decision making and manage performance;
- promoting and displaying the principles and values of good governance;
- managing risks and maintaining a sound system of internal control;
- making effective use of natural resources;
- managing assets effectively to help deliver strategic priorities and service needs; and
- planning, organising and developing the workforce effectively to support the achievement of strategic priorities.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

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The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.



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September 2011

**To:** Audit Committee  
**Date:** 28 Sept 2011  
**Author:** James Ingham  
**Lead Officer:** Executive Director (S151 officer)

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**Title:** Counter Fraud Annual review

**Summary:** This is a report to the committee to bring them up to date with the counter fraud approach, and outcomes, and are appraised of the key contents of the CIPFA report 'Managing the Risk of Fraud', and the attached self-assessment.

**Recommendations:**

- i. It is recommended that the report be received and the actions identified in the self-assessment noted.**
- ii. That the outcomes set out in Appendix B are noted, and**

**Reasons for recommendation**

Provide the Audit Committee with assurance that Selby DC (Access, and Core) are taking fraud seriously and have or are developing effective Counter Fraud steps. Secondly, to demonstrate that these steps are following good practice guidelines from Cipfa and the Audit Commission.

**1. Introduction and background**

- 1.1. Fraud is a serious concern to all organisations, and particularly so for public bodies whose funds are finite and subject to considerable demands for both expansion of services and to reduce public sector spending.
- 1.2. Any loss through fraud is therefore doubly undesirable, and the Council must strive to minimise any loss through fraud.
- 1.3. Therefore the Council needs to be seen to be leading the fight against fraud, and the use of this Cipfa/Better Governance Forum self-assessment to measure our performance is a step to achieving that

goal. Furthermore it demonstrates the Council's commitment to its Counter Fraud, and Whistleblowing policies.

## **2. The Report**

- 2.1. The publication of the document from CIPFA (its Better Governance Forum), titled 'Managing the Risk of Fraud' gives the opportunity for the Council to review what it has achieved against this benchmark. It is expected that the Audit Commission, in their review of the Council, will also use this to measure performance in this area.
- 2.2. Fraud can be separated in to two separate components; Housing Benefit Fraud which is investigated by the Enforcement Team, in tandem with the unit's role is securing enforcement across other areas of council activity, such as Planning, Environmental Health, and Housing services. The second component is internal fraud which is investigated by Internal Audit (North Yorkshire Audit Partnership).
- 2.3. The self-assessment template has been reviewed in conjunction with the Senior Enforcement officer and the Executive Director (s151 officer). Initial assessment suggests that the Council is fairly well placed in terms of achievement against the template. The self-assessment identifying the Council's current position and work required is attached at appendix A. Work against this will be monitored by the Executive Director (s151 officer) and reports presented to future meetings of the Committee as required.
- 2.4. Outcomes of the Councils Housing benefit Fraud work are attached as Appendix B.
- 2.5. The Council has an approved Counter Fraud Strategy and Policy, together with a Whistleblowing Policy. The Council's intranet and internal newspaper have featured these as a means of informing staff about these policies.
- 2.6. Externally, the Audit Commission through their work at the Council will consider these aspects in measuring the Council's overall performance.
- 2.7. An initial outline brief for the Audit Committee members to exercise their role in respect of counter fraud will be composed of the following. It is expected that this will evolve so this list is neither exhaustive nor definitive.
  - To monitor the implementation of the Counter Fraud, theft and corruption policy
  - Monitor the systems and procedures in place to detect and prevent fraud.

- Assess individual audit reports or reports on the progress of recommendations on a quarterly basis to decide if relevant line management should be invited to attend the panel to provide explanations.
- To brief member colleagues on Audit & Fraud matters and to encourage them to bring relevant resident's concerns to the attention of the Committee, the NYAP Internal Audit Manager, or to senior management.

### **3. Legal/Financial Controls and other Policy matters**

#### **3.1. Legal Issues**

None.

#### **3.2. Financial Issues**

None.

### **4. Conclusion**

- 4.1. The Cipfa report 'Managing the Risk of Fraud' is a useful guide for a self-assessment of the council's approach to the management of fraud risk.
- 4.2. The self-assessment therefore covers both these and also the overview of counter fraud management in the council.

### **5. Background Documents**

***CIPFA/BGF report 'Managing the Risk of Fraud'  
Audit Commission report (Full, and Summary) "Protecting the  
Public Purse" (Sept 2009)***

***Contact Officer:***

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### **Appendices:**

Appendix A: Self Assessment (August 2011)

Appendix B: Outcomes from Housing Benefit Investigative work.

		Where we are now	What can we do?	By whom	For when
<b>1.</b>	<b>KEY ELEMENTS OF A STRATEGIC APPROACH</b>				
<b>1.1</b>	Does the organisation have a counter fraud and corruption strategy that can be clearly linked to the organisation's overall strategic objectives?	Yes it does have the strategy, and links to the council's objectives though it may not be stated as such.	Make explicit the link at the next review of the Counter-Fraud Strategy. Strategy to be reviewed in 2011/12	ET & SEO	31/3/2012
<b>1.2</b>	Is there a clear remit to reduce losses to fraud and corruption to an absolute minimum covering all areas of fraud and corruption affecting the organisation?	Yes, in the Strategy.			
<b>1.3</b>	Are there effective links between 'policy' work (to develop an anti-fraud and corruption and 'zero tolerance' culture, create a strong deterrent effect and prevent fraud and corruption by designing and redesigning policies and systems) and 'operational' work (to detect and investigate fraud and corruption and seek to apply sanctions and recover losses where it is found)?	Counter Fraud is implicit in IA programmes of work. Detection and investigation is a) IA; reactive rather than pro-active. b) IA Proactive work in the audit plan. ET: -Fraud Awareness Training to staff, members, and associate organisations. Publicise successful prosecutions	Make explicit the link at the next review of the Counter-Fraud Strategy.		
<b>1.4</b>	Is the full range of integrated action being taken forward or does the organisation 'pick and choose'?	See 1.3 above Use of risk based assessment on potential fraud referrals to determine optimum cases to be pursued.			
<b>1.5</b>	Does the organisation focus on outcomes (i.e. reduced losses) and not just activity (i.e. the number of investigations, prosecutions etc?)	IA; Focuses on both. ET Focuses on reducing both fraud & error in line with policy			
<b>1.6</b>	Has the strategy been directly agreed by those with political and executive authority for the organisation?	Yes: Audit Committee	Strategy to be reviewed (see 1.1 above)	ET, linking with IA.	31/3/2012



		Where we are now	What can we do?	By whom	For when
<b>2.0</b>	<b>MEASURING FRAUD AND CORRUPTION LOSSES</b>				
<b>2.1</b>	Are fraud and corruption risks considered as part of the organisation's strategic risk management arrangements?	No, IA: consider as part of IA risk assessment process ET Use of risk based assessment on potential fraud referrals to determine optimum cases to be pursued.	Maybe need to incorporate as a specific Strategic Risk, though I'm not sure that it is. (i.e. it doesn't stop the operation of the Council)	SMT; ASB	
<b>2.2</b>	Is the organisation seeking to identify accurately the nature and scale of losses to fraud and corruption, using a: <ul style="list-style-type: none"> <li>• Proper definition of fraud based in civil law for making accurate estimates?</li> <li>• Professional statistical methodology for making accurate estimates and building in a proper level of independent validation?</li> </ul>	IA: no. ET; definition is used; estimating of scale is on a more intuitive basis. Need to consider differing degrees of proof required for internal and external cases.			
<b>2.3</b>	Does the organisation use accurate estimates of losses to make informed judgements about levels of budgetary investment in work to counter fraud and corruption?	Probably, but there are pitfalls with this approach, as HB fraud is extensive, and there are costs which may not be met by DWP grant No longer a self-financing activity, therefore reducing in scale to a 'limited' activity based more around capacity to investigate than levels of referrals.			
<b>3.0</b>	<b>HAVING THE NECESSARY AUTHORITY AND SUPPORT</b>				

		Where we are now	What can we do?	By whom	For when
3.1	Do those tasked with countering fraud and corruption have the appropriate authority needed to pursue their remit effectively, linked to the organisation's counter fraud and corruption strategy?	IA; yes,  Need support from Authorising Officer (Solicitor to the Council) to sign RIPA authorisations.  ET; Yes, Investigators are Authorised Officers for the purposes of Part VI of the Social Security Administration Act 1992 to exercise any of the powers conferred by S.109B & S.109C of the Social Security Administration Act 1992.			
3.2	Is there strong political and executive support for work to counter fraud and corruption?	Yes	Reinforce through SMT; ASB and the Executive.		
3.3	Is there a level of financial investment in work to counter fraud and corruption that is proportionate to the risk that has been identified?	Fraud is the 'piece of string' and increasing the spend may lead into the law of diminishing returns. See 2.3 above; work is now restricted by capacity following changes in the DWP HB grant regime.			
	<b>SPECIALIST TRAINING &amp; ACCREDITATION</b>				
3.4	Are all those working to counter fraud and corruption professionally trained and accredited for their role?	IA; yes lead investigator CCIP qualified; happily infrequently required. ET; Yes both HB Investigators are Professionalism in Security (PINS) accredited. Specially trained in fraud interviewing techniques.	IA; no action ET: - additional PINS training would be beneficial for the wider range of investigations and to allow greater universality of staff. DWP require their links to be professionally trained.	ET	31/3/2012

		Where we are now	What can we do?	By whom	For when
3.5	Do those employees who are trained and accredited formally review their skills base and attend regular refresher courses to ensure they are abreast of new developments and legislation?	IA; only Audit CPD, not specific detailed investigative skills but it does include fraud awareness and investigative process. ET; yes as necessary	IA; no action ET note PINS training may lead to a requirement for mandatory CPD.		
3.6	Are all those working to counter fraud and corruption undertaking this work in accordance with a clear ethical framework and standards of personal conduct?	IA; yes, Annual personal declaration of interests, and working to Cipfa Code of Practice ET; yes – comply with Codes of Conduct & Procedure manual ensuring compliance with Data Protection; Human Rights & PACE.	IA; no action  ET: - Code of Conduct to be reviewed and revised as required.	ET	31/3/2012
<b>PROPRIETY CHECKS</b>					
3.7	Is an effective propriety checking process – implemented by appropriately trained staff – in place that includes appropriate action where individuals fail the check?	Policy is to undertake prior to all appointments, though this may not always happen with seasonal and any short term or contract staff.	Review process; HR – guidance Management – implementation of guidance		
3.8	Does the organisation regularly review its propriety checking and are random checks carried out to ensure that it is implemented?	No.	See 3.7 above  HR to develop awareness of Agency Worker Regulations as part of a review of propriety checking.	HR	31/3/2012
<b>DEVELOPING EFFECTIVE RELATIONSHIPS WITH OTHER ORGANISATIONS</b>					
3.9	Are there framework agreements in place to work with other organisations and agencies?	IA; No formal agreements, we would work with others as required. ET; yes Associate organisations include DWP; Police; CAB; Housing Associations etc.	IA; no action		
3.10	Are the framework agreements focussed on the practicalities of common work?	IA; N/A ET; SLAs with Police, DWP, HMRC,			

		Where we are now	What can we do?	By whom	For when
3.11	Are there regular meetings to implement and update these agreements?	ET; Yes regular meetings of NY Fraud Investigators Group & Fraud Practitioners Group Other Ad-hoc groups meet as required			
<b>4.0</b>	<b>TAKING THE FULL RANGE OF ACTION AND INTEGRATING DIFFERENT STRANDS</b>				
4.1	Is the organisation undertaking the full range of necessary action (see also 1.3)?	Counter Fraud is implicit in IA programmes of work. Detection and investigation is a) IA; reactive rather than proactive.	IA; no action		
	<b>- CULTURE</b>				
4.2	Does the organisation have a clear programme of work attempting to create a real anti-fraud and corruption and zero tolerance culture (including strong arrangements to facilitate whistleblowing)?	Whistleblowing revised, and publicised to all staff. Actions are publicised as far as practicable. FAT (Fraud Awareness Training) sessions have taken place and will continue. Part of new starters induction.	Reinforce through SMT; ASB, and the Executive		
4.3	Are there clear goals for this work (to maximise the percentage of staff and public who recognise their responsibilities to protect the organisation and its resources)?	No; simply aim to cover all existing and new staff	How will this be measured and will the effort 'add value'?		
4.4	Is this programme of work being effectively implemented?	Yes, as far as can be determined.			
4.5	Are there arrangements in place to evaluate the extent to which a real anti-fraud and corruption culture exists or is developing throughout the organisation?	No	How will this be measured and will the effort 'add value'?		
4.6	Are agreements in place with stakeholder representatives to work together to counter fraud and corruption?	Yes, Audit Committee			

		Where we are now	What can we do?	By whom	For when
4.7	Have arrangements been made to ensure that stakeholder representatives benefit from successful counter fraud and corruption work?	Do not really understand this point, how they can 'benefit' from the work. What and How			
	<b>- DETERRENCE</b>				
4.8	Does the organisation have a clear programme of work attempting to create a strong deterrent effect?	Yes			
4.9	Does the organisation have a clear programme of work to publicise the: <ul style="list-style-type: none"> <li>• Hostility of the honest majority to fraud and corruption</li> <li>• Effectiveness of preventative arrangements</li> <li>• Sophistication of arrangements to detect fraud and corruption</li> <li>• Professionalism of those investigating fraud and corruption and their ability to uncover evidence</li> <li>• Likelihood of proportionate sanctions being applied</li> <li>• Likelihood of losses being recovered</li> </ul>	Yes ✓ ✓ ✓ ✓ ✓ ✓	Continue to publicise using the intranet, newsletter, notice boards, and the 'grapevine'.		
4.10	Has the organisation successfully publicised work in this area?	Yes ET; Advertising, reporting of HB Fraud and other court cases, posters, business cards, franking envelopes, newsletters, Citizenlink	ET: - anticipate an increase in 'promotions' once the new structures, and the ET have settled into place.	ET	31/3/2012
4.11	Has the publicity been targeted at the areas of greatest fraud losses?	No; universality preferred.			
	<b>- PREVENTION</b>				
4.12	Does the organisation seek to design fraud and corruption out of new policies and systems and to revise existing ones to remove apparent weaknesses?	Yes, through IA work, and involvement of IA in new and developing projects. The aim is to develop strong control systems that do not 'cost the earth'.	IA; Continue, and consider some proactive work. Reinforce through SMT, ASB and the Executive.		

		Where we are now	What can we do?	By whom	For when
4.13	Do concluding reports on investigations include a specific section on identified policy and systems weaknesses that allowed the fraud and corruption to take place?	IA; yes ET ~ usually 'transgressions' rather than systems weakness' but there are always 'lessons learned' reviews.			
4.14	Is there a system for considering and prioritising action to remove these identified weaknesses?	IA; Yes reports will have agreed recommendations and Action Plan. All final reports are given to Audit Committee members.			
	<b>- DETECTION</b>				
4.15	Are there effective 'whistleblowing' arrangements in place?	Yes.	Reinforce through SMT, ASB and the Executive.  System needs to be further embedded in philosophically.		
4.16	Are analytical intelligence techniques used to identify potential fraud and corruption?	IA; Part of routine audit work, plus regular internal data matching, plus participation in national data matching exercises. ET; -Also the council participates in NFI and ETMS. Uses internal data matching, and may extend to external groups.			

		Where we are now	What can we do?	By whom	For when
4.17	Are there effective arrangements for collating, sharing and analysing intelligence?	IA; Not really any formal arrangements, probably could do better. ET; for HB Fraud, info from DWP, TPS & other LAs recorded on receipt & shared as appropriate With the integrated ET there is better sharing of intelligence across the team and using shared access to SyDC systems	Consider any benefit in establishing formal arrangements.		
4.18	Are there arrangements in place to ensure that suspected cases of fraud or corruption are reported promptly to the appropriate person for further investigation?	IA; Yes, but whether some are not reported is unknown, (but suspected). ET; HB Fraud Hotline & Website for receipt of public referrals; established procedures for forwarding to DWP, TPS & HMRC	Reinforce through SMT, ASB and the Executive.		
4.19	Are arrangements in place to ensure that identified potential cases are promptly and appropriately investigated?	IA; There could be many 'potential' cases, derived from many sources. This is also about resources too. ET; HB Fraud work to a 3 working day turnaround of sifting referrals to either open investigation, refer to DWP/TPS/HMRC or mark as no further action			
4.20	Are proactive exercises undertaken in key areas of fraud risk of known systems weaknesses?	IA; yes, regular data matching. Internal & externally driven.	Consider any benefit against cost of undertaking.		

		Where we are now	What can we do?	By whom	For when
	<b>- INVESTIGATION</b>				
4.21	Is the organisation's investigation work effective?	Yes – IA/ET.			
4.22	Is it carried out in accordance with clear guidance?	IA; Audit Manual has section on Fraud Investigation, though much is by experience, instinct, and need. We are mindful of evidence rules. ET; yes, use of referral prioritisation for HB Fraud (High; Medium; Low)	IA; Review manual and ensure up to date.		
4.23	Do those undertaking investigations have the necessary powers, both in law, where necessary, and within the organisation?	IA; yes ET; yes – comply with Codes of Conduct & Procedure manual ensuring compliance with Data Protection; Human Rights & PACE			
4.24	Are referrals handled and investigations undertaken in a timely manner?	IA; yes ET; yes and HB Fraud 3 day target is established			
4.25	Does the organisation have arrangements in place for assessing the effectiveness of investigations?	IA; No formal arrangements as they are infrequent, and always discussed with the ED (s151 officer). ET; Management checks within the team maintain a control over effectiveness.			
	<b>- SANCTIONS</b>				
4.26	Does the organisation have a clear and consistent policy on the application of sanctions where fraud or corruption is proven to be present?	IA; no, always based on case by case. ET; yes across the team – HB Fraud have a specific Prosecutions Policy to meet DWP requirements	ET: - Prosecutions Policy to be reviewed and revised 2011/12; taking account of DWP changes, and the Enforcement Concordat.	ET	31/3/2012



		Where we are now	What can we do?	By whom	For when
4.27	Are all possible sanctions – disciplinary/regulatory, civil and criminal – considered?	IA; yes, though little expectation of active Police support and involvement due to scale of cases. ET; yes; use of Licencing Committee where appropriate.			
4.28	Does the consideration of appropriate sanctions take place at the end of the investigation when all the evidence is available?	IA; yes and during. ET; Yes –HB Fraud cases individually reviewed by SEO to determine whether suitable for prosecution, formal caution or compliance	Scheme of delegation being developed for the Enforcement Team This will speed up the determination process and improve performance	ET	31/3/2012
4.29	Does the organisation monitor the extent to which the application of sanctions is successful?	IA; no ET; Regularly monitored and recorded for the PMS; data and key indicators required for DWP too.	The ET will be reviewing the suite of Performance Indicators to reflect the revised structure and reporting lines.	ET	31/3/2012
<b>- REDRESS</b>					
4.30	Does the organisation have a clear policy on the recovery of losses incurred to fraud and corruption?	IA; no standard policy, each case on merits and likely success. ET: - HB fraud have structure options for sanctions and redress; choice determined by SEO, and compliance with Prosecutions Policy			
4.31	Is the organisation effective in recovering any losses incurred to fraud and corruption?	IA; N/A ET; Yes – HB fraud overpayments separately identified and prioritised. ET: - use of the enforcement concordat; seek also court fine, costs, and victim surcharge.			
4.32	Does the organisation use the criminal and civil law to the full in recovering losses?	IA; N/A ET; Yes – legal action taken to recover HB Fraud overpayments (civil debt) as necessary			

		Where we are now	What can we do?	By whom	For when
4.33	Does the organisation monitor proceedings for the recovery of losses?	IA; N/A ET; Yes – all overpayments with legal are monitored for progress			
4.34	What is the organisation's successful recovery rate?	IA; N/A ET; See additional Annexe to committee report for summary details of HB Fraud activity and recovery.			
<b>5.0</b>	<b>FOCUSING ON OUTCOMES AND NOT MERELY ACTIVITY</b>				
5.1	Are there clear outcomes described for work to counter fraud and corruption?	IA; N/A ET: - No specific targets at the moment; joint enforcement team is working to develop KPI, and targets.	ET: - develop SMART targets, and KPI.	ET	31/3/2012
5.2	Do the desired outcomes relate to the actual sums lost to fraud and corruption?	IA; N/A ET: -HB Fraud relies on information and allegations being made to drive its work. Non-HB relies on transgressions being notified to the Team.			

ASB ~ Access Selby Board

ET ~ Enforcement Team

SEO ~ Senior Enforcement Officer

ED (s151 Officer) ~ Executive Director & S151 Officer (LG Act 1972)

## Housing Benefit Counter Fraud Statistics

### 2010 -2011

No of Referrals received	647
No of referral opened for fraud investigation	228

#### Sanctions:

##### Formal:

Caution	11
Administrative Penalty	6
Successful Prosecutions	11

##### Informal:

Local Written Caution	15
Compliance Letter	24

Overpaid benefits identified and being recovered from the claimants:

Housing Benefit	£ 59,630.87
Council Tax Benefit	£ 19,938.06
Total	£ 79,568.93

### 2011 (1 April – 31 August)

No of Referrals received	150
No of referral opened for fraud investigation	64

#### Sanctions:

##### Formal:

Caution	6
Administrative Penalty	3
Successful Prosecutions	5

##### Informal:

Local Written Caution	7
Compliance Letter	1

Overpaid benefits identified and being recovered from the claimants:

Housing Benefit	£ 66,870.70
Council Tax Benefit	£ 15,304.52
Total	£ 82,175.22

**Report Reference Number A/11/9**

**Agenda Item No: 9**

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**To: Audit Committee**  
**Date: 28 September 2011**  
**Author: James Ingham; Head of Partnership, NYAP**  
**Lead Officer: Karen Iveson – Executive Director (S151)**

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**Title: Internal Audit Q1+ Report 2011/12**

**Summary:** The purpose of the report is to present the Internal Audit Q1+ Report for 2011/2012. That report is prepared by the North Yorkshire Audit Partnership and is attached as a supporting document.

**Recommendation:**

**It is recommended that the attached Internal Audit Q1+ Report 2011/12 be approved.**

**Reasons for recommendation**

The Audit Committee has responsibility for overseeing the work of internal audit, ensuring that the control framework is sound.

**1. Introduction and background**

- 1.1 The report highlights a clear statement of assurance by the North Yorkshire Audit Partnership regarding the adequacy and effectiveness of the internal control system.
- 1.2 A summary of the Partnership's performance during the year to date.

**2. The Report**

- 2.1 The Audit Partnership works to the Cipfa Code of Practice for Internal Audit in Local Government.
- 2.2 The Internal Audit Q1+ Report provides a statement of assurance, primarily to the Executive Director – S151 officer that ultimately will

support the Annual Governance Statement (AGS) that is included with the Council's Financial Statements. It also includes a summary of the audit opinions issued for the audits completed in the year to date, to support the overall opinion, and thence to the AGS.

- 2.3 The severe financial constraints, policy turmoil and major organisational change environment that the Council is working within means that now, more than ever, the need for sound internal control framework is crucial.
- 2.4 The Council, which encompasses Access Selby and Communities Selby, will need to continue its existing high degree of commitment and effort with Risk Management, especially as it has embedded it within the performance management framework through the Covalent Performance Management system. It is in this respect that internal audit have taken a key role through the facilitation of Risk Management and therefore will assist, by extending the understanding and implementation of risk management across the 3 organisational elements of the Council.
- 2.5 It will also include an assessment of the application of risk management, and management of the identified risks, within its programme of audits.

### **3. Legal/Financial Controls and other Policy matters**

#### **3.1 Legal Issues**

There are no legal implications.

#### **3.2 Financial Issues**

There are no financial implications.

### **4. Conclusion**

- 4.1 The review provides an overall opinion and assurance that given all the circumstances pertaining with the Internal Control Environment in Selby DC during 2011/12 to date that it is considered as 'above standard'.

This is not a 'carte blanche' but a balanced judgement. As with any such review there will always be areas that could be improved and this is no different.

## **5. Background Documents**

North Yorkshire Audit Partnership report: - Internal Audit Q1+ Report 2011/12.

### ***Contact Officer:***

James Ingham  
Head of Partnership  
North Yorkshire Audit Partnership  
James.ingham@scarborough.gov.uk

### **Appendices:**

Appendix 1: North Yorkshire Audit Partnership report: - Internal Audit Q1+ Report 2011/12.

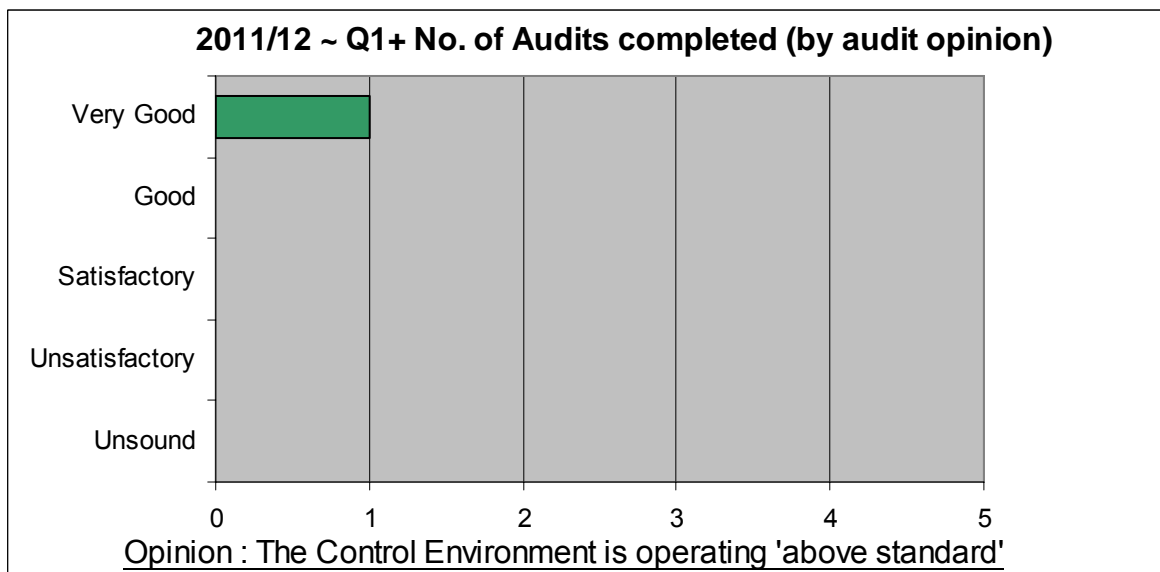


*Independent Assurance*

# Internal Audit 2011/12 Q1+ report



## Selby DC September 2011



Head of Partnership: James Ingham CPFA

Audit Manager : John Barnett

Circulation list: Members Audit Committee  
Chief Executive  
Executive Director – S151

## **Summary**

### **1.0 Introduction**

- 1.1 Internal Audit is a mandatory requirement for all councils, (Accounts & Audit regulations). The Council meets that requirement by an Internal Audit service provided through the North Yorkshire Audit Partnership.
- 1.2 The Partnership provides the service and works to the Cipfa Code of Practice for Internal Audit in Local Government. The council's external auditors undertake a tri-ennial review of the Partnership, which adds to the Accounts & Audit regulation requirement that the council undertakes an annual review of the effectiveness of the system of Internal Audit. The results of both reviews are presented to the audit panel of the Council.
- 1.3 Internal audit providers in Local Government have an obligation to produce an Annual Internal Audit Report. The Partnership considers that it is important for the panel to receive regular interim reports of audits completed, and this report follows the style of the annual report.
- 1.4 This is an important document in many ways and brings together the following in one consolidated report.
  - ◆ A clear statement of assurance by the North Yorkshire Audit Partnership regarding the adequacy and effectiveness of the internal control environment.
  - ◆ The key issues and themes arising out of the internal audit activity that has been undertaken during 2011/2012, encompassing systems audit work and any specialist reviews.
  - ◆ A summary of the opinions and key issues for the audits completed.
- 1.5 This interim report is, however, more than the sum of these parts; taken as a whole it is an important contribution to the Council reaching an understanding of what risks exist and how well they are being managed.
- 1.6 The presence of an effective internal audit function contributes significantly to the strong counter-fraud and corruption culture that exists in the council.
- 1.7 During 2011/12 no special investigations have been required to date, suggesting that the present internal control framework is effective.
- 1.8 The internal audit team are closely involved with governance matters, and are directly involved with the preparation and drafting of the Council's Annual Governance Statement.

### **2.0 Planned Audit work 2011/12**

- 2.1 The agreed number of days in the plan for internal audit was 400. The plan itself was derived from the Partnership's risk model, devised to target resources to those areas that are considered to be of the greatest risk.
- 2.2 It is, however, tempered by a number of factors; the most significant of these being the expectation of the external auditors that internal audit undertake work on the material (significant) systems of the council on an annual basis. The volume of time required is largely constant, so the balance is used for locally directed and determined audit assignments.
- 2.3 The plan also includes a provision for specialist audit work including ICT audit, and work around the partnership governance area. Finally it also includes an amount of time to meet Client support requirements, including attending audit committee, and ad-hoc or special investigations.



2.4 The report also contains a table which shows the schedule of planned audit work, and the audit opinion associated with those audits completed.

**3.0 Matters of significance from the work completed in the year**

3.1 The areas that were especially pleasing to report are as follows: -

- 👍 Audit Committee now see all IA reports in full, and are now requesting line management to attend the Audit Committee to discuss their response to the audit reports.
- 👍 We are pleased to report that there are no areas that have been classified as ‘unsound’ or ‘unsatisfactory’ from the audits completed to date in 2011/2012.

**4.0 Audit Opinion and Assurance Statement**

4.1 We have conducted our audits both in accordance with mandatory standards and good practice contained within the CIPFA Code of Practice for Internal Audit in Local Government.

4.2 The Cipfa Code defines Internal Audit as an assurance function providing an independent opinion on the Internal Control Environment, comprising Risk Management, Governance and Internal Control. Accordingly we have structured our opinion around those three themes.

4.3 For 2011/2012, the internal audit opinion is derived from work completed as part of the agreed internal audit plan, which includes compliance with the managed audit. This is work done as part of the joint protocol between the Council’s internal and external auditors who themselves are required to give an opinion on the Council’s accounts. It is accepted that Internal Audit has an established position of independence within the Council more especially with the specific arrangements that exist with the North Yorkshire Audit Partnership. It has experience in control and assurance matters generally.

4.4 On balance, based upon the audit work done, together with the pre-existing cumulative audit knowledge and experience of other areas not subject to audit this year our overall audit opinion is that the Internal Control Environment for the Council is “Good”.

The Assurance:	
Risk Management	The Council has embedded Risk Management within the organisation. The acquisition of, and use of Covalent performance management software for Risk Management during the year will enhance this position and provide solid bedrock for future improvement.
Governance	Our work this year to date leads us to the overall opinion that the Corporate Governance arrangements are sound.
Internal Control [financial systems, etc.]	Our overall opinion is that the internal controls within the financial systems in operation in the year to date are fundamentally sound. (100% of audits completed had a ‘Very good’ or ‘good’ audit opinion.  This is based upon our examination of the key financial systems as part of the managed audit approach, and the other financial systems that were actually audited. On that basis and our previous experience and knowledge there is no reason to believe that the systems are other than sound.

**Table of 2011/12 audit assignments completed**

<i>Audit</i>	<i>Status</i>	<i>Audit Committee</i>
<i>2011/12 ~ Material Systems</i>		
Council Tax	Scheduled Q3	
Creditors	Scheduled Q3	
Housing Benefits	Scheduled Q3	
Income (Cash Receipting) System	Scheduled Q3	
NNDR	Scheduled Q3	
Treasury Management	Scheduled Q3	
Capital Accounting/Asset Management	Scheduled Q3	
Housing Repairs	Scheduled Q3	
Debtors	Scheduled Q4	
General Ledger	Scheduled Q4	
Housing Rents	Scheduled Q4	
Payroll	Scheduled Q4	
<i>2011/12 Audit plan work</i>		
<i>Community Specialist Manager</i>		
Homelessness Accommodation	<b>Completed ~ Very Good</b>	Sept 2011
Benefit Fraud (inc NFI)	<b>Draft issued</b>	
Taxi Licensing	<b>Draft issued</b>	
Development Policy	Scheduled Q2	
ICT		
<i>Business Support Manager</i>		
Insurance	In progress	
<i>Asset and Contract Management</i>		
Property Rentals	<b>Draft issued</b>	
Vehicle Management	<b>Draft issued</b>	
Parks and Rec Grounds – Enterprise Contract	In progress	
PSU Stores	Scheduled Q2	
Waste management – Enterprise Contract	Scheduled Q2	
Environmental Health – Service Provision	Scheduled Q3	
<i>Business Development Manager</i>		
Performance Management/Data Quality	Scheduled Q2	
Risk Management Process	Scheduled Q4	

## Summary of Key Issues arising from audits completed to 31st August 2011;

<u>Audit &amp; Opinion</u>	<u>Key Issues</u>	<u>Recommendations</u>	<u>Status</u>
Homelessness Accommodation 4/3040  <i>Very Good</i>	<p>Strengths</p> <ul style="list-style-type: none"> <li>◇ The service is effectively administered.</li> </ul> <p>Weaknesses</p> <ul style="list-style-type: none"> <li>◇ Supervisor checks on accommodation allocations are not documented.</li> </ul>	<p>Recommendations:</p> <ul style="list-style-type: none"> <li>◇ Supervisor checks should be evident.</li> </ul>	<p><i>Rec' accepted by management. Follow up: - Next audit : -</i></p>

## Opinion Description

<i>Very Good</i>	Minimal risk identified; a few minor recommendations.
<i>Good (The default option)</i>	Some risk identified; some changes should be made.
<i>Satisfactory</i>	Some risk identified; some changes should be made.
<i>Unsatisfactory</i>	Unacceptable risk identified; changes must be made.
<i>Unsound</i>	Major risk exists; fundamental improvements are required.