



Meeting: **AUDIT COMMITTEE**  
Date: **26 SEPTEMBER 2012**  
Time: **5.00PM**  
Venue: **COMMITTEE ROOM**  
To: **Councillors Mrs E Casling (Chair), J Cattanach, 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

A copy of the Register of Interest for each Selby District Councillor is available for inspection at [www.selby.gov.uk](http://www.selby.gov.uk).

Councillors should declare to the meeting any disclosable pecuniary interest in any item of business on this agenda which is not already entered in their Register of Interests.

Councillors should leave the meeting and take no part in the consideration, discussion or vote on any matter in which they have a disclosable pecuniary interest.

Councillors should also declare any other interests. Having made the declaration, provided the other interest is not a disclosable pecuniary interest, the Councillor may stay in the meeting, speak and vote on that item of business.

If in doubt, Councillors are advised to seek advice from the Monitoring Officer.

### 3. Minutes

To confirm as a correct record the minutes of the proceedings of the meeting of the Audit Committee held on 19 June 2012.

Pages 3 to 6 attached.

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

5. **Audit Committee Report A/12/6 – Statement of Accounts (post audit)**  
Report of the Executive Director (S151), pages 7 to 150 attached
6. **Audit Committee Report A/12/7 – Annual Governance Statement**  
Report of the Executive Director (S151), pages 151 to 165 attached
7. **Audit Committee Report A/12/8 – Audit Commission’s Annual Governance Report and Opinion on the Financial Statements**  
Report of the Audit Manager, Audit Commission, pages 166 to 190 attached
8. **Audit Committee Report A/12/9 – Counter Fraud Annual Report**  
Report of the Executive Director (S151), pages 191 to 210 attached
9. **Audit Committee Report A/12/10 – Internal Audit Quarter 1 +Report 2011/12**  
Report of the Executive Director (S151), pages 211 to 221 attached

**Martin Connor**  
**Chief Executive**

<b>Dates of next meetings</b>
16 January 2013
17 April 2013

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

## Audit Committee

- Venue: Committee Room
- Date: 19 June 2012
- Present: Councillor Crawford, Councillor Dyson, Councillor Mrs Mackman, Councillor Mrs McCartney, Councillor Nutt, Councillor Packham (Vice Chair) and Councillor Reynolds
- Apologies for Absence: Councillor Mrs Casling (Chair) and Councillor Cattanach
- Officers Present: Roman Pronyszyn, Veritau; John Barnett, Veritau; Karen Iveson, Executive Director; Janette Barlow, Director of Business Services and Richard Besley, Democratic Services

### 1. APOLOGIES

As the Chair had forwarded her apologies it was agreed that the Vice Chair would take the meeting.

### 2. DECLARATIONS OF INTEREST

There were no declarations of interest.

### 3. MINUTES

The Democratic Service Officer informed the Committee that the Audit Commission Manager had notified him that item 38, the Audit Commission Plan referred to the year 2011/12 and not 2012/13.

#### RESOLVED:

**To receive and approve the minutes as amended of the Audit Committee held on 18 April 2012 and they are signed by the Chair.**

#### **4. CHAIR'S ADDRESS**

The Vice Chair welcomed councillors and Officer for this first meeting of 2012/13.

#### **5. TIMINGS OF MEETINGS**

**RESOLVED:**

**The Committee agreed to commence meetings at 5.00pm for the 2012/13 municipal year.**

#### **6. WORK PROGRAMME 2012/13**

The Annual Governance report had been duplicated in June and September and had now been removed. The Executive Director (s151) explained that the reason was due to the change of practise where by the Statement of Accounts do not come to the Committee before being audited. They will now appear before the Committee on the 26 September.

#### **7. A/12/1 – INTERNAL AUDIT ANNUAL REPORT 2011/12**

John Barnett, Veritau North Yorkshire, presented the Internal Audit Report and confirmed it had been a positive year given the change experienced by the organisation. He drew the Committee's attention to the report summary and scores. The Audit Manager confirmed that the three unsatisfactory reports had been called in by this Committee and had been discussed with Officers invited to comment and answer questions. The report recorded the necessary follow up reports.

The Audit Manager informed the Committee that the new Covalent system, when fully implemented, would allow Officers and Managers to manage their actions

The Vice Chair felt that, while satisfactory was indicative of a successful audit, Managers and Officers should aim for an overall good standard mark.

**RESOLVED:**

**To receive and approve the report.**

#### **8. PRIVATE SESSION**

**RESOLVED:**

**In accordance with Section 100(A)(4) of the Local Government Act 1972 and in view of the nature of the business to be transacted, to**

**exclude the press and public from the meeting during discussion of the following item as there is likely to be disclosure of exempt information.**

**9. A/12/2 – RISK MANAGEMENT ANNUAL REPORT**

Presenting the report, the Executive Director (s151), described Risk Management as a key element of the Council's work over the last year, especially with the fundamental changes the authority faced in 2011/12.

The Director informed the Committee that there was now a cycle in place to review, twice in each year, the Council's three Risk Registers. These were the Corporate Risk Register, Access Selby Risk Register and Communities Selby Risk Register

**RESOLVED:**

**To receive and endorse the report.**

**10. A/12/3 – REVIEW OF THE CORPORATE RISK REGISTER**

The Executive Director (s151) presented the report to the Committee and highlighted those risks where there had been changes with some risks being downgraded and one removed.

The Director noted that following the fire at Abbey Leisure Centre, an alternative venue for the Gym facilities had been obtained which impacted on the use of a Council car-park. The car park at the adjacent former Civic Centre was being prepared to provide the extra capacity.

The Director of Business Services confirmed that there would be a further Staff Survey conducted this September/October.

On a matter regarding Contaminated Land and the handling of Asbestos contamination Officers were asked for clarification at the next meeting.

Officers confirmed that Managers review their Risk Registers quarterly but report on them half yearly.

The Vice Chair notified Officers that she would like to see some movement on risks by January.

**RESOLVED:**

**To receive and endorse the report**

**11. A/12/4 – REVIEW OF THE ACCESS SELBY RISK REGISTER**

The Director of Business Services presented the report on behalf of

Access Selby and notified the Committee that the Register had been reviewed by the Board at its June meeting.

The Director was pleased to report that two risks had gone down where results had exceeded expectations and where Access Selby had done a lot of development work.

Three risks had increased slightly though this was due to appreciation and recognition of the impact of the new roles and work patterns of Access Selby that had seen the risks re-assessed.

**RESOLVED:**

**To receive and endorse the report**

**12. A/12/5 – REVIEW OF THE COMMUNITIES SELBY RISK REGISTER**

The Executive Director (s151) presented the report on behalf of Communities Selby to the Committee.

The report showed those risks where there had been changes with some risks being downgraded. There was one new risk relating to the development of the CEFs.

Communities Selby had originally been concerned on the impact on service when the temporary team structure was disbanded; however, the ability to call on WLCT staff had helped mitigate the risk.

**RESOLVED:**

**To receive and endorse the report**

The meeting closed at 5:46pm

**Report Reference Number: A/12/6**

**Agenda Item No: 5**

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**To: Audit Committee**  
**Date: 26 September 2012**  
**Author: Nicola Chick, Lead Officer – Finance**  
**Lead Officer: Karen Iveson, Executive Director s151**

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**Title: Statement of Accounts 2011-12**

**Summary:**

The purpose of this report is to enable Councillors to undertake an examination of the Council's financial accounts for the financial year 2011-12 and seek approval of them.

**Recommendations:**

- i. Councillors approve the 2011-12 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.
- 1.3 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 2011-12 accounts have been produced under the requirements of

International Financial Reporting Standards (IFRS) basis.

## **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 2011-12 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 2011/12: 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 2011-12, 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.
- 2.7 The accounts were made available for public inspection from 6 July until 6 August and the auditor was available on 7 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 2011-12 closedown working papers.

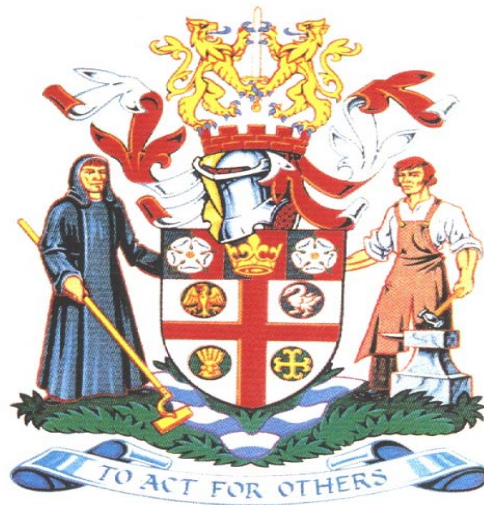
***Contact Officer:***

Nicola Chick  
Lead Officer - Finance  
nchick@selby.gov.uk

**Appendices:**

Appendix A: 2011-12 Statement of Accounts  
Appendix B: Explanatory Paper to the Accounts

# SELBY DISTRICT COUNCIL



# STATEMENT OF ACCOUNTS 2011/2012

**SELBY DISTRICT COUNCIL**

**STATEMENT OF ACCOUNTS**

**2011/12**

**CONTENTS**

	<u>Pages</u>
LEADER'S FOREWORD	3
EXPLANATORY FOREWORD	4 - 14
STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS	15
AUDIT CERTIFICATE	16 - 18
THE CORE FINANCIAL STATEMENTS	
MOVEMENT IN RESERVES STATEMENT	19
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	20 - 21
BALANCE SHEET	22 - 23
CASH FLOW STATEMENT	24 - 25
EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS	26 - 99
NOTE 1 - Statement of Accounting Policies	26 - 44
NOTE 2 - Accounting Standards that have been issued but not adopted	45
NOTE 3 - Critical Judgements in applying Accounting Policies	45 - 46
NOTE 4 - Assumptions made about the Future and other Major Sources of Estimation Uncertainty	46 - 47
NOTE 5 - Material Items of Income and Expenditure	47
NOTE 6 - Events After the Balance Sheet	48
NOTE 7 - Adjustments between Accounting Basis and Funding Basis under Regulations	49 - 52
NOTE 8 - Earmarked Reserves	53 - 54
NOTE 9 - Property, Plant and Equipment	55 - 56
NOTE 10 - Depreciation Methodologies	57
NOTE 11 - Commitments under Capital Contracts	57
NOTE 12 - Revaluations	58
NOTE 13 - Intangible Assets	58 - 59
NOTE 14 - Financial Instrument Balances	59
NOTE 15 - Long Term Debtors	60
NOTE 16 - Short term Investments	60
NOTE 17 - Financial Instruments Gains, Losses and Fair Values	61 - 62
NOTE 18 - Inventories	62
NOTE 19 - Debtors and Prepayments	63
NOTE 20 - Cash and Cash Equivalentents	63
NOTE 21 - Creditors	63 - 64
NOTE 22 - Provisions	64
NOTE 23 - Usable Reserves	65 - 66
NOTE 24 - Unusable Reserves	66 - 70

## CONTENTS cont....

	<u>Pages</u>
NOTE 25 - Amounts Reported for Resource Allocation Decisions	71 - 74
NOTE 26 - Surpluses / Deficits on Trading Undertakings	75
NOTE 27 - Agency Services	75
NOTE 28 - Members Allowances	75
NOTE 29 - Officers' Remuneration	75 - 76
NOTE 30 - Audit Fees	76
NOTE 31 - Grant Income	77 - 78
NOTE 32 - Related Party Transactions	78 - 79
NOTE 33 - Capital Expenditure and Financing	79 - 81
NOTE 34 - Leases	81 - 83
NOTE 35 - Assets Recognised under PFI Arrangements	84
NOTE 36 - Impairment Losses	84
NOTE 37 - Exit Packages	85
NOTE 38 - Retirement Benefits	86 - 90
NOTE 39 - Contingent Liabilities	90
NOTE 40 - Contingent Assets	91
NOTE 41 - Nature and Extent of Risks Arising From Financial Instruments	91 - 94
NOTE 42 - Central Services to the Public	94
NOTE 43 - Cultural and Related Services	94
NOTE 44 - Environmental and Regulatory Services	95
NOTE 45 - Planning Services	95
NOTE 46 - Highways and Transport Services	95
NOTE 47 - Local Authority Housing (HRA)	95
NOTE 48 - Other Housing Services	95
NOTE 49 - Corporate and Democratic Core	96
NOTE 50 - Non Distributed Costs	96
NOTE 51 - Interest Payable and Similar Charges	96
NOTE 52 - Interest and Investment Income	96
NOTE 53 - Council Tax	97
NOTE 54 - Capital Expenditure Financed from Revenue	97
NOTE 55 - Building Control	97
NOTE 56 - Information on Assets Held	98
NOTE 57 - Changes to Cash Flow Statement	99
HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT	100
MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT	101
NOTES TO THE HOUSING REVENUE ACCOUNT	102 - 108
THE COLLECTION FUND	109
NOTES TO THE COLLECTION FUND	110 - 113
GLOSSARY	115 - 124
ANNUAL GOVERNANCE STATEMENT	125

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, Doncaster Road, Selby, North Yorkshire, YO8 9FT. 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 2011/12 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 make a stronger Selby District' and is concentrating on 5 Big Things:-

- Stronger Council
- Changing places
- Living well
- Tackling the tough stuff
- Being switched on

2011/12 has been a particularly challenging year for the Council - the cuts to public sector funding crystallized our plans for a transformed organisation to minimise the impact on our customers. We implemented 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.

Our service delivery arm, 'Access Selby' has performed well during its first year, with its new Community Support teams working out in communities and delivering more responsive services. Where Access Selby has come up against challenges, the organisation has been able to use its resources flexibly to meet the needs of the Council. For example, significant improvements have been made to the reducing the time taken to re-let Council-owned homes during the year and, despite a 30% increase in claims, the Benefits team has processed 89% of claims within 5 days.

During 2011/12 we completed work on the Selby Community Project in partnership with NHS York and North Yorkshire, delivering a brand new community hospital for the people of Selby district. The project, which also included a new Civic Centre, was delivered on time and to budget and will deliver on-going savings to both the Council and NHS for years to come.

Our sound financial management means we are well placed to weather these tough financial times but the continuing reductions in central government funding will bite hard over the coming years and we will maintain our commitment to savings and efficiencies.

Whilst the future remains uncertain we will be steadfast in our aim to deliver and facilitate the services our communities need, striving to make a stronger Selby 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. The accounts presented are of a Single Entity as the Council has no relationships that require it to prepare Group Accounts.

### **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 2011 to 31 March 2012:

The financial figures contained within the statements and their supporting notes are rounded as appropriate and this is shown on the statement or note.

**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 and Housing Revenue Account 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. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve 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

## EXPLANATORY FOREWORD

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

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 flows 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.

**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 agent's 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, the Government 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 2011/12 and presents a review of the effectiveness of the system as required by the CIPFASOLACE Framework issued in 2007.

### 3. Revenue Spending in 2011/12

Revenue expenditure for 2011/12 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.

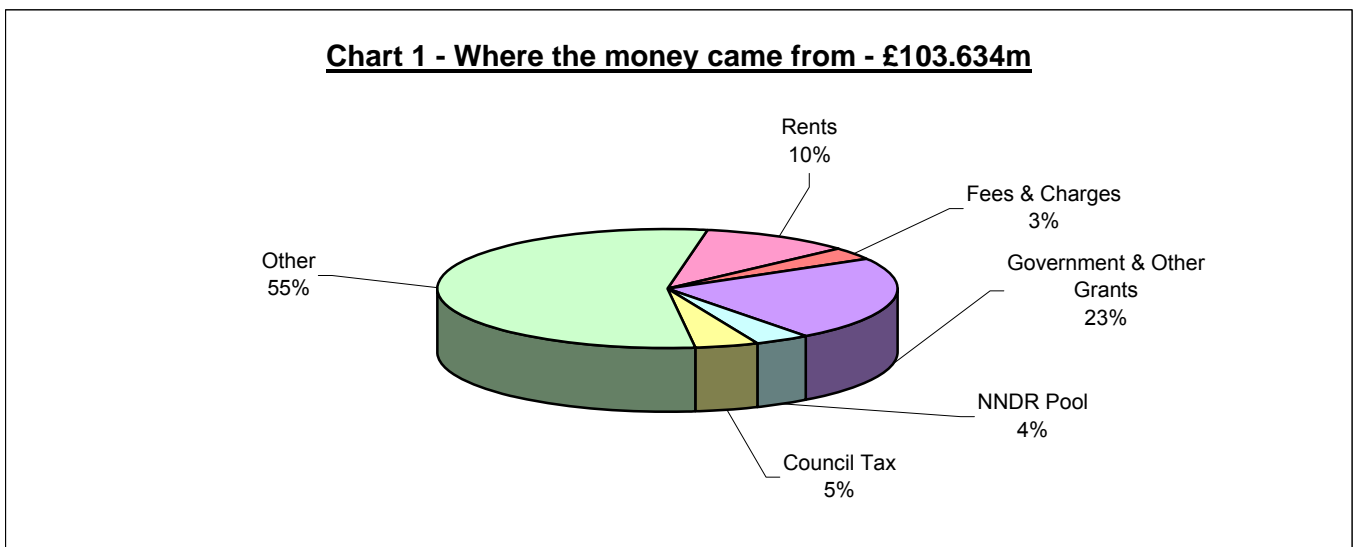


Chart 1 shows that around 23% (£23.794m) of the Council's income comes from Government and other grants (such as Revenue Support Grant). An additional 4% (£4.012m) comes from the Government as

## EXPLANATORY FOREWORD

### 3. Revenue Spending in 2011/12 continued .....

redistributed business rates through the NNDR Pool. 3% (£3.4189m) comes from fees and charges, Council Tax provides 5% (4.763m) and Rents provide 10% (£10.967m of which £10.596m is housing rents). Other income 55% (£56.68m) is unusually high because of borrowing (£50.233m) undertaken for the self-financing of the HRA.

**Chart 2 - What the money is spent on - £103.634m**

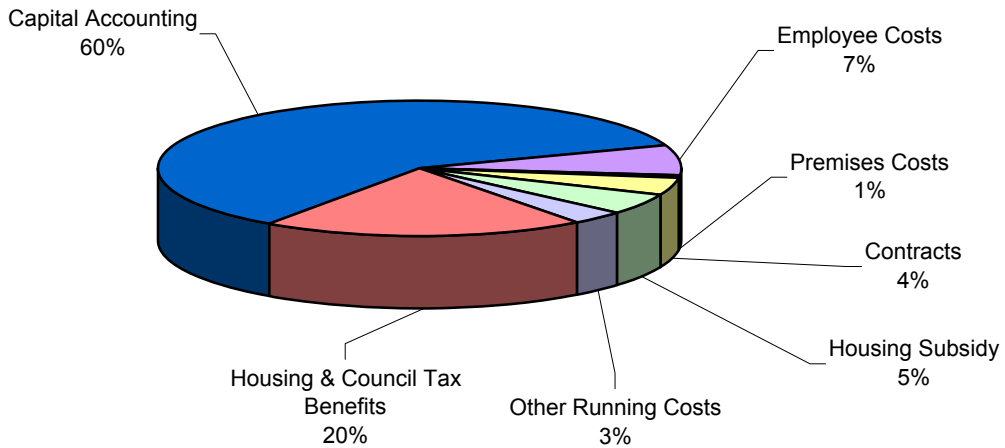
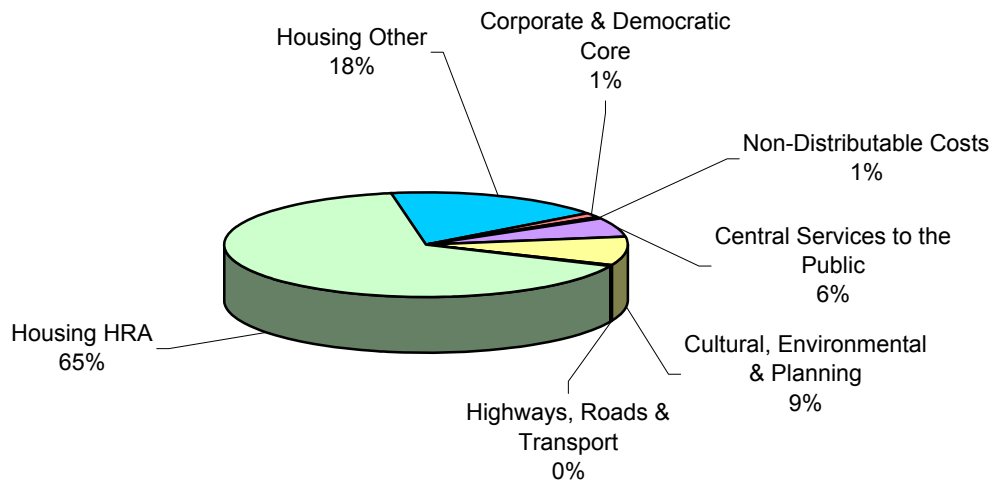


Chart 2 above shows that a large proportion of the Council's money is spent on Housing and Council Tax Benefit payments 20% (£20.736m), and the largest proportion in 2011/12 60% (61.91m) was capital accounting charges (including depreciation, impairments and capital expenditure funded from revenue under statute) in particular £57.73m was paid to the Government for the HRA self financing settlement. Other running costs, which include the costs of community safety, and development of the Local Framework accounted for 3% (£3.3m). 5% (£5.37m) was paid to the Government for housing subsidy as part of the national Housing Revenue Account 2011/12 was the last year for this payment, 7% (£7.4m) is employee costs, with contracts for recycling, refuse collection, street cleansing, and leisure accounting for 4% (£4.194m). The remaining 1% (£0.66m) is spent on premises costs, which includes payments for rates, insurance, heating, lighting and repairs.

**Chart 3 - The services provided - £103.634m**





## EXPLANATORY FOREWORD

### 3. Revenue Spending in 2011/12 continued .....

Chart 3 shows the gross cost of the services provided by the Council. Housing Services (HRA) account for the biggest portion of expenditure (65% - £67.984m) due to the payment for the HRA self financing Settlement. Also as shown in Chart 2, a large portion (18% - £18.285m) is spent on Housing Services (non HRA) which includes housing benefit payments. Non-distributable costs are -1% due to pension costs.

#### Financial Performance in 2011/12 Compared to Agreed Budget

The table below provides a summary of the Council's Comprehensive Income and Expenditure Statement for 2011/12 (General Fund Revenue Account and Housing Revenue Account). The outturn position required the transfer of (£545k) from General Fund Balances for 2011/12 in accordance with the latest approved budget for 2011/12.

	Latest Approved Budget £'000	Actual £'000	Difference £'000
Net Cost of Services	66,260	66,556	296
Parishes Precepts	1,410	1,410	
Internal Drainage Board Levies	1,441	1,441	-
Interest Payable and Similar Charges	818	822	4
Investment Interest	(248)	(306)	(58)
Non Cash Adjustments included in Net Cost of Services	620	38	(582)
<b>Net Operating Expenditure</b>	<b>70,301</b>	<b>69,961</b>	<b>(340)</b>
Revenue Support Grant	(1,240)	(1,240)	-
Non Service Related Government Grants	(624)	(624)	-
Business Rates	(4,012)	(4,012)	-
Council Precept	(6,230)	(6,267)	(37)
<b>Net General Fund (surplus) / deficit</b>	<b>58,195</b>	<b>57,818</b>	<b>(377)</b>
Capital Expenditure financed from revenue	804	584	(220)
Other Non Cash Adjustments	(58,545)	(58,837)	(292)
Transfers to / (from) Reserves	91	980	889
<b>Transfers (to) / from GF Balances</b>	<b>545</b>	<b>545</b>	<b>-</b>

The table shows the net cost of services of £66.556m, however, this includes £57.733m in relation to the payment that along with all other HRA authorities the Council had to make on 28 March 2012 to the Government under the HRA Self Financing Settlement Determination. This one off payment means that the Council has bought itself out of the Housing Subsidy System for the HRA. This payment was funded from £50.233m of new loans and £7.5m of the Council's own resources. Without this payment the Council's net cost of services for 2011/12 was £8.763m. The table on pages 8 to 10 look at the major cash variances and gives a brief explanation as to why they have occurred.

## EXPLANATORY FOREWORD

### 3. Revenue Spending in 2011/12 continued .....

#### Financial Performance in 2011/12 Compared to Agreed Budget .....

Through its restructure and creation of its commissioning Core, its Service Delivery Vehicle - 'Access Selby', and a team currently working with the voluntary sector - 'Communities Selby' the Council was able to achieve £1.806m towards its target of £3.425m by 2014/15 which are required as a consequence of the cuts in grant funding from Central Government.

The net cost of services saving for the General Fund totalled £818k. This enabled the Council to transfer £263k to Access Selby Reserve, £152k to the Spend to Save Reserve and £403k to contingency.

The Housing Revenue Account (HRA) was expecting to make a deficit of £144k due to funding of the capital programme, the actual deficit transferred from HRA Balances was £32k giving a variance saving of £112k. This consisted of £373k savings from Access Selby offset by additional one off cost pressures within the Core of £261k.

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.

<b>General Fund</b>		
	Variance £'000	Reason for Variance
Investment Income	(48)	Average value of deposits held were higher than estimated
Staff Costs	(190)	Frozen posts being held pending and following the restructure. In addition costs have reduced relating contributions to West Yorkshire Pension Fund and ERYC, and other pension related transactions.
Concessionary Fares	(144)	Relates to settlement of previous years' overpayments to the partnership and negotiation of final claims from operators.
External Interest Payable	(22)	Short term borrowing kept to a minimum by managing cashflows. Includes impact of HRA self-financing adjustment.
Contingency	(94)	Total value of un-spent contingency budgets
Government Grants	(86)	Housing Benefit Admin Grant was higher than the budgeted estimate, plus final subsidy estimates higher than expected.
Contributions to / from reserves	205	Variances on the contributions to and from reserves are due to changes to capital projects, such as the mast relocation, reduced cost of the election due to contributions from central government, receipt of new homes bonus grant and other smaller items.
Court Fees / Summons costs	(23)	Council Tax and NNDR costs raised were greater than expected.
Planning Fee Income	90	Shortfall in income due to continued dip in planning developments, mainly attributable to poor economic conditions.
Sub-Total carried forward	(312)	

## EXPLANATORY FOREWORD

### 3. Revenue Spending in 2011/12 continued .....

#### Financial Performance in 2011/12 Compared to Agreed Budget .....

Within both the General Fund and HRA a number of projects and financial commitments were not completed by 31 March 2012 and financial resources are being carried forward to 2011/12 to complete these projects. The total value of revenue carry forwards is £899k (£75k Housing Revenue Account, £824k General Fund).

	General Fund	
	Variance £'000	Reason for Variance
Sub-Total brought forward	(312)	
Housing Benefits	(195)	Relates to increase in debtors raised to recover overpaid benefits.
Office Running Costs	(50)	Relates to various savings across the authority on general office expenses, advertising, subscriptions and postage.
Streetscene Contract	(36)	Inflationary increases in contract price offset by savings on trade waste and cost of recycling contractors.
Leisure Trust	(24)	Following the fire at Abbey Leisure Centre, Wigan did not charge the Council for March's services.
Partnership Payments	19	additional payments to Building Control partnership due to estimated losses resulting from current economic climate.
Community Engagement forums	(17)	Savings against the administration costs for the Community Engagement Forums.
Community Safety	33	Net loss of income following transfer of service provision to City of York Council.
Additional Savings	(235)	On-going budget savings exercise through the year and the restructure have resulted in savings exceeding target.
<b>Total</b>	<b>(817)</b>	

Investment income was originally budgeted at £248k (£215k General Fund and £33k HRA) due to the interest rates remaining at 0.5% and the potential 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 £306k due to improved cash flows and the banks paying slightly more than the base rate. The impact of the base rate remaining at 0.5% for longer than expected will have an effect in 2012/13 and beyond. This has been taken into account in the Council's budgets going forward.

The Council had earmarked £105k within a specific elections reserve to contribute towards the costs of the District election which was held in May 2011. The National Referendum was subsequently scheduled for the same day and this meant that the Council received a contribution towards these costs which offset £38k of the costs to the Council for its District Election such as hiring polling stations and elections staff. The full transfer from the reserve was not required.

## EXPLANATORY FOREWORD

### 3. Revenue Spending in 2011/12 continued .....

#### Financial Performance in 2011/12 Compared to Agreed Budget .....

	<b>Housing Revenue Account</b>	
	Variance £'000	Reason for Variance
Staff vacancies & training	(82)	Savings from posts being held vacant pending restructure
Dwellings Repairs & Maintenance	(75)	Various savings including electrical testing, solid fuel servicing and less demand on responsive works. There were also savings on utilities.
Other Sundry Costs	(38)	Main savings arising from Choice based letting, Tenant participation schemes.
Hostel Rents	30	Shortfall in income due to lower occupancy levels as a result of improved homeless prevention work.
Debt Costs	44	Cost associated with HRA self-financing settlement.
Subsidy	(32)	Additional subsidy towards self-financing costs, and £12k difference between estimated MRA and actual.
HRA Share of Support Services	108	Additional recharges from the General Fund for HRA services.
Supporting People	71	Funding for Supporting people has been reduced nationally.
Contingency	(30)	Contingency budget was not required.
Rent - Dwellings & Garages	(96)	Income exceeded estimates, partly due to quicker turnaround and re-let of void properties.
Investment Income	(10)	Additional investment income is due to average cash balances being higher than estimated.
Total	(110)	

## EXPLANATORY FOREWORD

### 3. Revenue Spending in 2011/12 continued....

#### Financial Performance in 2011/12 Compared to Agreed Budget .....

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 2012/13.

The transfer (to) / from reserves has seen an overall transfer increase in the transfer to 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) net reduction £165k (£75k HRA, £90k General Fund) and increased amounts transferred to reserves including the Major Repairs Reserve £1,028k and a reduced HRA deficit £112k. Offsetting this were transfers to reserves for the General Fund totalling £818k including Access Selby £263k, Spend to Save £152k and Contingency Reserve £403k and reductions in transfers from reserves as a consequence of slippage in the Capital programme £191k and lower than expected costs for the District Election and the Council restructure £115k .

The detailed Core Financial Statements and accompanying notes are shown on pages 19 to 113.

### 4. Capital Expenditure

In 2011/12 the Council spent £4.401m (2010/11 £8.490m) on its capital programme (£2.738m General Fund and £1.663m Housing Revenue Account). In addition the Council had to pay the Government the sum of £57.733m under the Settlement Payments Determination 2012 issued by the Secretary of State in preparation for the commencement of self-financing of the Housing revenue Account (HRA) from 1 April 2012. 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	1,663	37.8%
Equipment & Vehicles, including Intangible Assets	311	7.1%
Other Land and Buildings, including Community Assets	1,994	45.3%
Home Improvement Grants and Loans and Disabled Facilities Grants	361	8.2%
Other Grants Expenditure Funded from Capital	72	1.6%
<b>Total</b>	<b>4,401</b>	<b>100%</b>
Payment to the Government under the Settlement Payments Determination 2012	57,733	
<b>Total</b>	<b>62,134</b>	

## EXPLANATORY FOREWORD

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

Where the money came from	Actual £'000	Proportion %
<u>Council's Capital Programme Spend</u>		
Government Supported Borrowing	-	0.0%
Prudential Borrowing	-	0.0%
Capital Receipts	(2,393)	54.4%
Major Repairs Reserve	(1,130)	25.7%
Grants and Contributions	(284)	6.5%
Revenue and Reserves	(594)	13.5%
<b>Total</b>	<b>(4,401)</b>	<b>100%</b>
<u>Settlement Payments Determination 2012 Spend</u>		
Prudential Borrowing	(57,733)	
<b>Total</b>	<b>(62,134)</b>	

#### Explanation of variances against budget

The Council expected to spend £6.641m on its capital programme, £3.051m on General Fund and £3.590m on its Housing Investment. However slippage and changes to the timing of projects, including building refurbishments, road adoption works, grants to outside organisations and council housing improvements has resulted in an underspend of £313k on the General Fund and £1.927m on the Housing Revenue Account. Work on these projects will be completed in 2012/13 or later.

The majority of the slippage within the HRA (£1.009m) relates to works required to the Council's Airey houses. The council has reviewed the most appropriate way to undertake this scheme and the contract has now been let with work due to commence in June 2012.

In addition the Council acted as host for payments on behalf of the York and North Yorkshire PCT element of the Community Project (New Hospital) to the contractor. In 2011/12 £0.932m was paid on behalf of the PCT and this amount has been claimed from them and reimbursed. The project is now completed.

In 2011/12 the Council did not undertake any prudential borrowing for capital works within either the General Fund or the HRA. However, it has utilised £57.733m of borrowing to enable the payment to be made on 28 March 2012 to the Government under the 'Self Financing Initiative' to buy the HRA out of the Housing Subsidy system. This now means that the Council will no longer be required to make any payments to the Government under the Subsidy System and neither will it receive any funding through that mechanism.

### 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 £57.733m during 2011/12, all of it to support the payment to the government for the Settlement Payments Determination 2012. To finance this payment to the Government the Council has borrowed £50.233m from the Public Works Loans Board and used £7.5m of its existing loan resources.

## **EXPLANATORY FOREWORD**

### **6. Pensions Liability**

The Council participates in the Local Government Pension Scheme, administered by North Yorkshire County Council. The Pension Liability shown in the Balance Sheet increased from £18.496m at 31 March 2011 to £21.853m at 31 March 2012 following the triennial review of the fund. This liability is set out in detail in note 38 and has been brought about as the present value of liabilities exceeds the fair value of assets. It has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, but the statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the scheme will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary. This increase of £3.357m is matched by an increase in the level of the Pension Reserve and does not represent an increase in the Council's cash reserves or impact on the council tax.

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

At the 1 April 2011 the Council's unallocated revenue reserves stood at £4.506m (£2.835m GF and £1.671m HRA). The Movement on the Housing Revenue Account Statement on page 101 shows that a contribution of £32k was made from the HRA unallocated reserve instead of the expected amount of £144k from the reserve. The explanation of variances against budget on page 7 shows that the actual contribution from the General Fund unallocated reserves was £545k in accordance with the approved budget.

Taking into account the net variances summarised, at 31 March 2012 the Council's unallocated revenue reserves stood at £3.929m (£2.290m GF and £1.639m HRA). As part of the budget package for 2011/12 the Council initially approved the transfer of £689k from these unallocated reserves to support the budget, during the year, the net effect reduced this to £577k.

The Balance Sheet on pages 22 and 23 show that the net worth of the Council reduced by £59.646m, the majority of which £57.733m is due to the payment that the Council made to Central Government under the HRA Self Financing Settlement. For this payment the Council borrowed £50.233m of funds and used £7.5m of its own cash resources. Long Term Investments increased by £4.021m however, Short Term Investments & Loans reduced by £6.011m and Short term Borrowing increased by £2.421m. In addition the liability related to the North Yorkshire Pension scheme increased by £3.357m.

In 2011/12 the Council received capital receipts of £5k from repayment of Right to Buy Discounts and £162k from the sale of council houses and land. The Council also received £2.712m from the sale of general fund property - the Civic Centre and a piece of land in Riccall and £49k from other capital cash receipts. After the deduction of allowable costs and the payment to the Government pool £123k, receipts of £2,393k were applied to fund capital expenditure in 2011/12.

### **8. Changes in Accounting Practices & Policies**

This set of Accounts is the Council's second 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 IFRS requires that accounting policies are applied retrospectively. There are no changes affecting the 2010/11 accounts.

Changes brought in by the 2011/12 code and which have been considered for impact on the accounts are FRS30 Heritage Assets, e.g. contents of art galleries and museums, of which the Council does not have any. This standard if the Council so wishes can be adopted for community assets such as Selby Park. The Council has chosen to continue with its existing valuation method of Historical Cost.

## **EXPLANATORY FOREWORD**

### **8. Changes in Accounting Practices & Policies continued .....**

The analysis for cost of services within the Comprehensive Income and Expenditure Statement is derived from the Service Reporting Code of Practice (SeRCOP). From 2011/12 SeRCOP requires analysis of expenditure and income within the Cultural, Environmental and Planning Services separately, it was previously all on one line. The information for 2010/11 has been restated to aid comparison.

The analysis of cash inflows and outflows within the Cash Flow Statement on page 24 has been reviewed to comply with the code. As a consequence the information for 2010/11 has been reviewed and restated where appropriate to enable comparison across the two years. The impact of these changes is shown in note 57.

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 ongoing 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 19 - 113 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 2012.

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

**Dated 26 September 2012**

### **Approval of the Accounts**

This Statement of Accounts was approved by a resolution of the Audit Committee of Selby District Council on 26 September 2012.

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

**Dated 26 September 2012**

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## MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £000	Earmarked GF Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2010</b>	(2,820)	(6,844)	(2,559)	(626)	0	(2,065)	(222)	(15,136)	(140,779)	(155,915)
<b><u>Movement in reserves during 2010/11</u></b>										
(Surplus) or deficit on provision of services	(933)	0	48,472	0	0	0	0	47,539	0	47,539
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	0	3,361	3,361
<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>0</b>	<b>47,539</b>	<b>3,361</b>	<b>50,900</b>
Adjustments between accounting basis & funding basis under regulations (note 7)	1,054	0	(48,115)	0	0	1,971	(6)	(45,096)	45,096	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>121</b>	<b>0</b>	<b>357</b>	<b>0</b>	<b>0</b>	<b>1,971</b>	<b>(6)</b>	<b>2,443</b>	<b>48,457</b>	<b>50,900</b>
Transfers to/from Earmarked Reserves	(136)	136	531	(531)	0	0	0	0	0	0
<b>Increase/Decrease (movement) in Year</b>	<b>(15)</b>	<b>136</b>	<b>888</b>	<b>(531)</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>(6,708)</b>	<b>(1,671)</b>	<b>(1,157)</b>	<b>0</b>	<b>(94)</b>	<b>(228)</b>	<b>(12,693)</b>	<b>(92,322)</b>	<b>(105,015)</b>
<b><u>Movement in reserves during 2011/12</u></b>										
(Surplus) or deficit on provision of services	1,091	0	56,665	0	0	0	0	57,756	0	57,756
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	0	1,890	1,890
<b>Total Comprehensive Expenditure and Income</b>	<b>1,091</b>	<b>0</b>	<b>56,665</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>57,756</b>	<b>1,890</b>	<b>59,646</b>
Adjustments between accounting basis & funding basis under regulations (note 7)	(1,612)	0	(56,579)	0	(871)	(411)	0	(59,473)	59,473	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(521)</b>	<b>0</b>	<b>86</b>	<b>0</b>	<b>(871)</b>	<b>(411)</b>	<b>0</b>	<b>(1,717)</b>	<b>61,363</b>	<b>59,646</b>
Transfers to/from Earmarked Reserves	1,066	(1,086)	(54)	74	0	0	0	0	0	0
<b>Increase/Decrease (movement) in Year</b>	<b>545</b>	<b>(1,086)</b>	<b>32</b>	<b>74</b>	<b>(871)</b>	<b>(411)</b>	<b>0</b>	<b>(1,717)</b>	<b>61,363</b>	<b>59,646</b>
<b>Balance at 31 March 2012 carried forward</b>	<b>(2,290)</b>	<b>(7,794)</b>	<b>(1,639)</b>	<b>(1,083)</b>	<b>(871)</b>	<b>(505)</b>	<b>(228)</b>	<b>(14,410)</b>	<b>(30,959)</b>	<b>(45,369)</b>

## COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2010/11				2011/2012			Notes
Expenditure Restated £'000	Income Restated £'000	Net Exp. Restated £'000		Expenditure £'000	Income £'000	Net Exp. £'000	
6,089	(5,202)	887	Central Services to the Public	6,026	(5,143)	883	42
1,044	(162)	882	Cultural and Related Services	1,155	(184)	971	43
-	-	-	Exceptional Costs Impairment from Abbey Leisure Centre Fire	1,303	-	1,303	43
5,528	(1,640)	3,888	Environmental and Regulatory Services	4,863	(1,624)	3,239	44
2,245	(649)	1,596	Planning Services	2,024	(752)	1,272	45
899	(514)	385	Highways and Transport Services	76	(346)	(270)	46
10,956	(11,414)	(458)	Local Authority Housing (HRA)	10,251	(11,418)	(1,167)	47
48,828	-	48,828	Exceptional Costs EUV-SH Adjustment	-	-	-	47
-	-	-	Exceptional Costs - settlement payment to Government for HRA self-financing	57,733	-	57,733	47
16,769	(15,961)	808	Other Housing Services	18,285	(17,511)	774	48
1,440	(95)	1,345	Corporate and Democratic Core	1,443	(59)	1,384	49
264	(25)	239	Non Distributed Costs	475	(41)	434	50
(2,244)	-	(2,244)	Exceptional Costs - Pension Inflation Change	-	-	-	50
<b>91,818</b>	<b>(35,662)</b>	<b>56,156</b>	<b>Cost of Services</b>	<b>103,634</b>	<b>(37,078)</b>	<b>66,556</b>	
			<b>Other Operating Expenditure</b>				
1,365	-	1,365	Payments of Precepts to Parishes	1,410	-	1,410	
1,432	-	1,432	Levies payable (Drainage Boards)	1,441	-	1,441	
155	-	155	Contribution of Housing Capital Receipts to Government Pool	117	-	117	23.5
-	(65)	(65)	(Gain) / Loss on Disposal of Non-Current Assets	-	(802)	(802)	
-	(35)	(35)	(Gain) / Loss on Disposal of Intangibles	-	(25)	(25)	
			<b>Financing and Investment Income &amp; Expenditure</b>				
866	-	866	Interest Payable on Debt	776	-	776	51
31	-	31	Interest Element of Finance Leases	46	-	46	51
2,881	-	2,881	Pensions Interest Costs	2,467	-	2,467	38
-	(1,728)	(1,728)	Expected Return on Pensions Assets	-	(1,719)	(1,719)	38
-	(348)	(348)	Investment Interest Income	-	(306)	(306)	52
<b>98,548</b>	<b>(37,838)</b>	<b>60,710</b>	<b>Net Operating Expenditure</b>	<b>109,891</b>	<b>(39,930)</b>	<b>69,961</b>	

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

2010/11				2011/2012			Notes
Expenditure £'000	Income £'000	Net Exp. £'000		Expenditure £'000	Income £'000	Net Exp. £'000	
<b>98,548</b>	<b>(37,838)</b>	<b>60,710</b>	<b>Net Operating Expenditure B/Fwd</b>	<b>109,891</b>	<b>(39,930)</b>	<b>69,961</b>	
			<b>Taxation and Non-Specific Grant Income</b>				
-	(6,139)	(6,139)	Council Tax	-	(6,267)	(6,267)	53
-	(5,902)	(5,902)	Non-domestic Rates Redistribution	-	(4,012)	(4,012)	31
-	(857)	(857)	Revenue Support Grant	-	(1,240)	(1,240)	31
-	-	-	Local Services Support Grant	-	(60)	(60)	31
-	(96)	(96)	Non Service Related Government Grants	-	(564)	(564)	31
-	(177)	(177)	Recognised Capital Grants and Contributions	-	(62)	(62)	31
<b>98,548</b>	<b>(51,009)</b>	<b>47,539</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>109,891</b>	<b>(52,135)</b>	<b>57,756</b>	
			<b>Surplus or Deficit on Revaluation of Non-Current Assets</b>				
-	(278)	(278)	Revaluation Gains	-	(1,673)	(1,673)	24.1
-	-	-	Revaluation Losses (Chargeable to Revaluation Reserve)	-	-	-	24.1
7,864	-	7,864	Impairment Losses (Chargeable to Revaluation Reserve)	601	-	601	24.1
-	-	-	(Surplus) / Deficit on revaluation of available for sale financial assets	-	(3)	(3)	24.2
-	(4,225)	(4,225)	Actuarial (gains) / losses on pension fund assets and liabilities	2,965	-	2,965	38
<b>7,864</b>	<b>(4,503)</b>	<b>3,361</b>		<b>3,566</b>	<b>(1,676)</b>	<b>1,890</b>	
<b>106,412</b>	<b>(55,512)</b>	<b>50,900</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>113,457</b>	<b>(53,811)</b>	<b>59,646</b>	

**BALANCE SHEET**

31-Mar-11		31-Mar-12		Notes
£'000		£'000	£'000	
116,591	Property Plant & Equipment	115,343		9
206	Intangible Assets	128		13
15	Long Term Investments	4,036		14
299	Long Term Debtors	263		15
<b>117,111</b>	<b>Total Long Term Assets</b>	<b>119,770</b>		
18,185	Short Term Investments	12,174		16
20	Inventories and Work in Progress	20		18
6,955	Short Term Debtors	2,901		14,15,19
217	Cash and Cash Equivalents	4,775		20
<b>25,377</b>	<b>Total Current Assets</b>	<b>19,870</b>		
<b>142,488</b>	<b>Total Assets</b>		<b>139,640</b>	
	<b>Current Liabilities</b>			
(2,704)	Short Term Borrowing	(5,125)		14
(3,930)	Short Term Creditors	(5,512)		21
(53)	Provisions	-		22
-	Revenue Grants Receipts In Advance	(53)		31
(46)	Capital Grants Receipts In Advance	(54)		31
<b>(6,733)</b>	<b>Total Current Liabilities</b>	<b>(10,744)</b>		
(10,081)	Long Term borrowing	(60,299)		14
	Other Long Term Liabilities:			
(18,496)	Defined Benefit Pension Scheme	(21,853)		38
(2,163)	Finance Leases	(1,395)		34
<b>(30,740)</b>	<b>Total Long Term Liabilities</b>	<b>(83,547)</b>		
<b>(37,473)</b>	<b>Total Liabilities</b>		<b>(94,291)</b>	
<b>105,015</b>	<b>Net Assets</b>		<b>45,349</b>	



## BALANCE SHEET

31-Mar-11		31-Mar-12	Notes
£'000		£'000	
	<b>Usable Reserves</b>		23
(2,835)	General Fund	(2,290)	23.1
(7,865)	Earmarked Reserves	(8,877)	8, 23.2
(1,671)	Housing Revenue Account	(1,639)	23.3
-	Major Repairs Reserve	(871)	23.4
(94)	Capital Receipts Reserve	(505)	23.5
(228)	Capital Grants Unapplied	(228)	23.6
	<b>Unusable Reserves</b>		24
	<b>Revaluation Balances</b>		
(2,459)	Revaluation Reserve	(3,016)	24.1
5	Available-for-Sale Financial Instruments Reserve	2	24.2
	<b>Adjustment Accounts</b>		
(108,242)	Capital Adjustment Account	(49,629)	24.3
14	Financial Instruments Adjustment Account	18	24.4
(20)	Deferred Capital Receipts	(14)	24.5
18,496	Pensions Reserve	21,853	24.6
(116)	Collection Fund Adjustment Account	(153)	24.7
<b>(105,015)</b>	<b>Total Reserves</b>	<b>(45,349)</b>	

Karen Iveson  
 CPFA  
 Executive Director (s151)

Dated 26 September 2012

## CASH FLOW STATEMENT

2010/2011 Restated £'000		2011/2012 £'000	2011/2012 £'000	Notes
	<b>Operating Activities</b>			
	<u>Cash Outflows</u>			
6,406	Employees	6,890		
32,103	Payments to Suppliers	19,152		
9,056	Housing Benefit	9,917		
1,365	Precepts	1,410		
852	Interest Paid	623		
154	Payments to the Capital Receipts Pool	128		
3,033	Other Payments for Operating Activities	3,321		
<b>52,969</b>	<b>Cash Outflows from Operating Activities</b>		<b>41,441</b>	
	<u>Cash Inflows</u>			
(4,244)	Rents (after rebates)	(4,500)		
(5,569)	Council Tax	(5,756)		
(5,902)	Non-domestic rate pool	(4,012)		31
(857)	Revenue Support Grant	(1,240)		31
(18,823)	DWP grants for benefits	(20,780)		
(1,280)	Other Government Grants	(1,888)		
(1,149)	Interest received	(247)		
-	Dividends received	-		
(22,524)	Goods and services	(12,777)		
<b>(60,348)</b>	<b>Cash Inflows from Operating Activities</b>		<b>(51,200)</b>	
<b>(7,379)</b>	<b>Net Cash Flow from Operating Activities</b>		<b>(9,759)</b>	
	<b>Investing Activities</b>			
	<u>Cash Outflows</u>			
7,736	Purchase of Property, Plant & Equipment	4,103		
584	Other capital cash payments	15		
-	HRA Self Financing Settlement	57,733		
25,000	Purchase of short-term investments	26,500		
-	Purchase of long-term investments	-		
	<u>Cash Inflows</u>			
(202)	Sale of fixed assets	(2,893)		
(2,771)	Capital grants received	(2,076)		31
(47)	Other capital cash receipts	(10)		
(29,000)	Disposal of investments	(28,500)		
<b>1,300</b>	<b>Net Cash Flow from Investing Activities</b>		<b>54,872</b>	
<b>(6,079)</b>	<b>Net Cash Flow Before Financing c/fwd</b>		<b>45,113</b>	

**CASH FLOW STATEMENT**

2010/2011 Restated £'000		2011/2012 £'000	2011/2012 £'000	Notes
<b>(6,079)</b>	<b>Net Cash Flow Before Financing b/fwd</b>		<b>45,113</b>	
	<b>Financing</b>			
	<u>Cash Outflows</u>			
6,013	Repayments of amounts borrowed	2,018		
475	Repayments of Leases	392		
6,792	Other payments from financing activities	2,634		
	<u>Cash Inflows</u>			
-	New loans raised	(50,215)		
(7,000)	New short term loans	(4,500)		
-	Other receipts from financing activities	-		
<b>6,280</b>	<b>Net Cash Flow from Financing</b>		<b>(49,671)</b>	
<b>201</b>	<b>Net (Increase) / Decrease in Cash</b>		<b>(4,558)</b>	
<b>(418)</b>	<b>Cash and Cash equivalents at the beginning of the reporting period</b>		<b>(217)</b>	
<b>(217)</b>	<b>Cash and Cash equivalents at the end of the reporting period</b>		<b>(4,775)</b>	20

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

## **1. 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 2011/12 accounts and the Service Reporting Code of Practice for Local Authorities 2011/12 (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 position, performance and cash flows that is useful for assessing the stewardship of public funds and for making economic 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, is complete within the bounds of materiality and cost and has been prudently prepared.

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

In order to aid the understanding of the Statement of Accounts prior year comparable information is provided throughout the prime statements and the notes. 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.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. Statement of Accounting Policies continued .....

#### 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.

- Revenue relating to such things as Council Tax, Non Domestic Rates, is measured at the full amount receivable (net of any impairment losses as they are non-contractual non-exchange transactions and there can be no difference between the delivery and payment dates).
- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- In the event that consideration has been paid in advance of the receipt of goods or services or other benefit, an authority shall recognise a debtor (i.e. payment in advance) in respect of that outflow of resources.
- 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 inventories.
- In the event that consideration is received but the revenue does not meet the recognition criteria as described above, the Council recognises it as a creditor (i.e. receipt in advance) in respect of that inflow of resources.
- 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.

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

### **1. Statement of Accounting Policies continued .....**

#### **vi. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

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.

#### **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 Council's 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 Council's 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**

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential. The disclosure will indicate the nature of the contingent asset and an estimate of its value.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. Statement of Accounting Policies continued .....

#### xi. Contingent Liabilities

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

Contingent liabilities are not included in the accounts but disclosed as a note to the accounts. 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:

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

- 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.

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

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

### **1. Statement of Accounting Policies continued .....**

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

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. Charges to Revenue for Non-current 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.
- Revaluation and 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.

The Council is not required to raise council tax to cover depreciation, revaluation and 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 the contribution in the General Fund Balance (MRP or loans fund principal), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.



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

### **1. Statement of Accounting Policies continued .....**

#### **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. Any accrual would be charged to the surplus of deficit on Provision of Services in the Comprehensive Income and Expenditure Statement, but then reversed out through the Movement in Reserves Statement.

##### **(b). Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer, or group of officers, or making an offer to encourage voluntary redundancy.

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

##### **(c). 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:

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. Statement of Accounting Policies continued .....

#### xiv. Employee Benefits continued .....

**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 Statement.

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

**Gains or 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.

**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 - charged to the Pensions Reserve.

**Contributions paid to the North Yorkshire Pension Fund** - cash paid as employer's contributions to the pension funding settlement of liabilities; not accounted for as an expense.

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. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund and Housing Revenue Account of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### **Discretionary Benefits**

The Council 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 38 to the Core Financial Statements.

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

### **1. Statement of Accounting Policies continued .....**

#### **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:

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

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

#### **xvi. Exceptional Items**

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

#### **xvii. 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.

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.

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

Financial assets are classified into two types:

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

#### **Loans and Receivables**

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that

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

### **1. Statement of Accounting Policies continued .....**

#### **xvii. Financial Instruments continued .....**

##### **Loans and Receivables continued.....**

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.

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
- equity shares with no quoted market prices - independent appraisal of company valuations

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

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. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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

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

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

#### **xviii. Government Grants and Contributions**

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

- the Council will comply with the conditions attached to the payments, and

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

### **1. Statement of Accounting Policies continued .....**

#### **xviii. Government Grants and Contributions continued.....**

- the grants or contributions will be received.

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

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

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

#### **xix. 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 depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines(s) in the Comprehensive Income and Expenditure Statement 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(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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

The Council is in partnership with Ryedale, Hambleton, Richmondshire and Scarborough Councils 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 councils 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.

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

## **1. Statement of Accounting Policies continued .....**

### **xxi. 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.

### **xxii. 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.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

### **xxiii. 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.

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**

**The Council as 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. Initial direct costs of the Council are added to the carrying amount of the asset. Any premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. Statement of Accounting Policies continued .....

#### xxiii. Leases continued .....

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

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

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

Lease payments are apportioned between:

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

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

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

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

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

**The Council as Lessor** - Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure area in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. Statement of Accounting Policies continued .....

#### xxiii. Leases continued .....

the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

#### xxiv. 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:

- NNDR income is not the income of the Council and is not be included in its Comprehensive 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.
- 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.



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

### **1. Statement of Accounting Policies continued .....**

#### **xxv. 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 2011/12 (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,
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on Assets Held for Sale.

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

#### **xxvi. 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.

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

arrangement has delivered 153 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.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. Statement of Accounting Policies continued .....

#### xxviii. 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 maintains but does not add to an asset's potential to deliver future economic benefits or service potential (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.

The Council 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). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income section of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until any such conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried 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 (EUJ-SH)
- all other assets except for the new Civic Centre - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).
- new Civic Centre - due to its specialist nature, depreciated replacement cost.

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.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. Statement of Accounting Policies continued .....

#### xxviii. Property Plant and Equipment continued .....

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 2011 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 2016.

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.

**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)

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. Statement of Accounting Policies continued .....

#### xxviii. Property Plant and Equipment continued .....

- 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.

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.

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

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

**Disposals and Non-Current Assets Held for Sale** - When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) 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 same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains 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

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

### **1. Statement of Accounting Policies continued .....**

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

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 General Fund Balance in the Movement in Reserves Statement.

#### **xxix. 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 or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line(s) in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

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.

#### **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 sets aside specific amounts as earmarked reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service 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.

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

### **1. Statement of Accounting Policies continued .....**

#### **xxx. Reserves continued.....**

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

#### **xxxi. 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 this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of council tax.

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

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

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

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

Changes in accounting policies are retrospective unless alternative transitional arrangements are specified in the Code, 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. In addition, the Code requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code.

A complete set of financial statements is defined in the Code. This includes a Balance Sheet as at the beginning of the earliest comparative period (i.e. a third Balance Sheet) when an authority applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

The adoption of the amendments to IFRS 7 *Financial Instruments: Disclosures* in the Code is not a change of accounting policy that will require the publication of a Balance Sheet as at the beginning of the earliest comparative period (i.e. a third Balance Sheet) in the 2011/12 financial statements.

Other changes adopted in the 2012/13 Code are not expected to require additional disclosure in the 2012/13 financial statements. Some changes to the Code relate to changes in circumstances. Other changes clarify the requirements of the Code or provide additional guidance, but do not change the requirements of the Code.

### **3. 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.

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

### **3. Critical Accounting Judgements In Applying Accounting Policies continued .....**

#### **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.

### **4. Assumptions Made About The Future and Other Major Sources of Estimation Uncertainty**

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

#### **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 whether there has been any material damage to the asset as well as an 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.

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 £23k and £24k 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.



## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### **4. Assumptions Made About The Future and Other Major Sources of Estimation Uncertainty continued .....**

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 £828k, while a 0.1% increase in inflation assumptions would result in an increase in the pension liability of £844k.

However, the assumptions interact in complex ways. During 2011/12 the actuaries advised that the net pensions liability was based on the 2010 actuarial valuation.

#### **Arrears**

At 31 March 2012, the Council had a balance of sundry debtors for £328k. 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 £22k to be set aside as an allowance.

The Council's share of Council Tax debtors has a provision of 13.5%. This is calculated using prescribed formula and is considered adequate.

#### **Employee Benefits Accrual**

The employee benefits accrual cost was calculated for years from 2008/09 to 2011/12. 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.

### **5. 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:

2010/2011 £'000		2011/2012 £'000
14,751	Housing benefits	16,034
4,691	Council tax benefit	4,700
-	Impairments General Fund - Leisure centre	1,303
48,815	Impairments HRA Dwellings	-
-	HRA Self-Financing Determination Settlement	57,733

The Council paid out a total of £20.734m in housing and council tax benefits in 2011/12 (£19.442m in 2010/11), this was funded by government subsidy.

Impairments in 2011/12 relates to the reduction in value of the Abbey Leisure Centre following the fire in February 2012. The impairment in 2010/11 related to the change in valuation index for the Council's Housing Stock.

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

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

The Statement of Accounts was authorised for issue by the Executive Director s151 on 26 September 2012. 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 2012, 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 31 March 2012 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 had an agreement with Tesco's Ltd as part of the condition of the sale of the civic centre in Portholme Road that on the granting of their planning permission for the site a further payment of £500k would be made. This planning permission was granted in May 2012.

The Council has purchased a property in Selby (Walkers Bingo Hall) adjacent to its Car Park in Portholme Crescent to enable it to assist Wigan Leisure and Cultural Trust provide temporary gym and exercise accommodation following the fire at Abbey Leisure Centre on 28th February 2012. This building has been remodelled to provide suitable facilities. Under the terms of the Council's fire policy insurance cover held with Zurich Municipal the Council has received a contribution of £450k towards these costs.

To facilitate parking arrangements for the temporary Gym the Council has converted its former Civic Centre Car Park into a long-stay pay and display car parking facility for the public.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

2011/12	General Fund Balances £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Charges for depreciation and impairment of non-current assets	(2,324)	(1,353)	-	-	-	3,677
Revaluation losses on Property, Plant and Equipment	-	-	-	-	-	-
Movements in the fair value of Investment Properties	-	-	-	-	-	-
Amortisation of intangible assets	(70)	(8)	-	-	-	78
Capital grants and contributions applied	7	55	-	-	-	(62)
Revenue expenditure funded from capital under statute	(186)	(57,733)	-	-	-	57,919
Soft Loans	2	-	-	(10)	-	8
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposals to the Comprehensive Income and Expenditure Statement	(1,942)	(139)	-	-	-	2,081
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Statutory provision for the financing of capital investment	479	9	-	-	-	(488)
Capital expenditure charged against the General Fund and HRA Balances	106	478	-	-	-	(584)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,755	156	-	(2,911)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	2,393	-	(2,393)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	(6)	-	6	-	-

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

2011/12	General Fund Balances £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Contribution from the Capital receipts Reserve to finance the payments to the Government capital receipts pool	(117)	-	-	117	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	(6)	-	6
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	-	2,001	(2,001)	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	1,130	-	-	(1,130)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(2)	(4)	-	-	-	6
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 38)	(1,577)	(319)	-	-	-	1,896
Employer's pensions contributions and direct payments to pensioners payable in the year	1,220	284	-	-	-	(1,504)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	37	-	-	-	-	(37)
Cost of Services	<b>(1,612)</b>	<b>(56,579)</b>	<b>(871)</b>	<b>(411)</b>	-	<b>59,473</b>

**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

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

2010/11	General Fund Balances £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Charges for depreciation and impairment of non-current assets	(1,173)	(49,899)	(816)	-	-	51,888
Revaluation losses on Property, Plant and Equipment	-	-	-	-	-	-
Movements in the fair value of Investment Properties	-	-	-	-	-	-
Amortisation of intangible assets	(139)	-	-	-	-	139
Capital grants and contributions applied	7	50	-	-	-	(57)
Revenue expenditure funded from capital under statute	(238)	-	-	-	-	238
Soft Loans	140	-	-	(14)	-	(126)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposals to the Comprehensive Income and Expenditure Statement	(3)	-	-	-	-	3
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Statutory provision for the financing of capital investment	558	16	-	-	-	(574)
Capital expenditure charged against the General Fund and HRA Balances	380	1,085	-	-	-	(1,465)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	7	-	-	-	(6)	(1)
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	2,063	-	(2,063)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(1)	(3)	-	4	-	-

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

2010/11	General Fund Balances £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Contribution from the Capital receipts Reserve to finance the payments to the Government capital receipts pool	(155)	-	-	155	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	(237)	-	237
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	35	196	-	-	-	(231)
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	-	-	-	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	816	-	-	(816)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(3)	(8)	-	-	-	11
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 38)	530	168	-	-	-	(698)
Employer's pensions contributions and direct payments to pensioners payable in the year	1,050	280	-	-	-	(1,330)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	59	-	-	-	-	(59)
Cost of Services	<b>1,054</b>	<b>(48,115)</b>	<b>-</b>	<b>1,971</b>	<b>(6)</b>	<b>45,096</b>

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 8. Earmarked Reserves

The Council has reserves which have been set up voluntarily to earmark resources for future spending plans. This note sets out the amounts set aside from the General Fund and the Housing Revenue Account during the accounting period and the amounts posted back to meet General Fund and Housing Revenue Account expenditure over the same period. The major reserves, and the intended purpose of those reserves are described in more detail below:

	Balance at 31-Mar-10 £'000	Transfers In £'000	Transfers Out £'000	Balance at 31-Mar-11 £'000	Transfers In £'000	Transfers Out £'000	Balance at 31-Mar-12 £'000	See Notes Below
<b>General Fund</b>								
Abbey Leisure Centre	(49)	-	49	-	-	-	-	8.1
Access Selby	-	-	-	-	(263)	-	(263)	8.2
Building Repairs	(312)	(120)	87	(345)	(130)	14	(461)	8.3
Car Loan Bonds	(5)	-	-	(5)	-	-	(5)	8.4
Carried Fw'd	(456)	(984)	492	(948)	(857)	948	(857)	8.5
Commutation Surplus	(7)	-	1	(6)	-	1	(5)	8.6
Contingency	(150)	(3)	3	(150)	(403)	-	(553)	8.7
District Election	(35)	(35)	-	(70)	(36)	69	(37)	8.8
ICT Replacement	(481)	(181)	247	(415)	(170)	74	(511)	8.9
Industrial Units	-	(54)	12	(42)	(9)	-	(51)	8.10
Pensions Reserve	-	-	-	-	(200)	-	(200)	8.11
Planning Delivery Grant	(632)	-	632	-	-	-	-	8.12
Planning Inquiries	(100)	-	-	(100)	-	-	(100)	8.13
PFI Scheme	(2,426)	(334)	333	(2,427)	(348)	352	(2,423)	8.14
ROS Maintenance	-	(11)	-	(11)	-	-	(11)	8.15
Special Projects	(967)	-	-	(967)	(444)	7	(1,404)	8.16
Sherburn Amenity Land	(10)	-	-	(10)	-	-	(10)	8.17
Spend to Save	(545)	(71)	63	(553)	(152)	455	(250)	8.18
Tadcaster Central Area	(496)	-	13	(483)	-	9	(474)	8.19
Transport Renewal Fund	(155)	(3)	-	(158)	(3)	-	(161)	8.20
Wheeled Bin	(18)	-	-	(18)	-	-	(18)	8.21
<b>Total</b>	<b>(6,844)</b>	<b>(1,796)</b>	<b>1,932</b>	<b>(6,708)</b>	<b>(3,015)</b>	<b>1,929</b>	<b>(7,794)</b>	
<b>Housing Revenue Account</b>								
Carried Fw'd	(36)	(1,121)	-	(1,157)	(1,083)	1,157	(1,083)	8.4
HRA Special Projects	(590)	-	590	-	-	-	-	8.22
<b>Total</b>	<b>(626)</b>	<b>(1,121)</b>	<b>590</b>	<b>(1,157)</b>	<b>(1,083)</b>	<b>1,157</b>	<b>(1,083)</b>	

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

### **8. Earmarked Reserves continued .....**

- 8.1. Projects at Abbey Leisure Centre.
- 8.2. To hold funds from savings to provide resources for the delivery of services in future years.
- 8.3. To fund repairs and improvements to the Corporate Buildings, Depots and Leisure Centres.
- 8.4. To cover the potential event that an employee defaults on the repayment of their car loan.
- 8.5. To fund budgets carried forward into 2011/12 for schemes which have been delayed from 2010/11.
- 8.6. 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.
- 8.7. To fund contingency items throughout the year.
- 8.8. To spread the cost of funding expenditure on the District Elections every 4 years.
- 8.9. To fund the purchase new computer equipment and upgrade of systems.
- 8.10. To hold funds paid by tenants for repairs and maintenance to the industrial units. These funds were previously held as a provision.
- 8.11. To dampen the impact of future years' employers pensions costs increases.
- 8.12. To hold Planning Delivery Grant monies pending use.
- 8.13. To fund costs associated with Planning Inquiries.
- 8.14. To hold government grant and SDC contributions to pay for the housing PFI project .
- 8.15. To hold funds received through S106 agreements for recreation and open spaces maintenance that the Council is responsible for.
- 8.16. To fund capital or 'one-off' revenue projects.
- 8.17. Balance of budget required for works on land at Sherburn undertaken during 1996.
- 8.18. To provide 'up front' investment for initiatives that generate revenue budget savings.
- 8.19. To provide funds for the redevelopment of the Central Area in Tadcaster.
- 8.20. Transport fund from which new vehicles are purchased. The balance covers the existing fleet.
- 8.21. To provide bins for those on low income / pensions who cannot afford to purchase.
- 8.22. To fund investment to be made in the council house stock.



**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

**9. Property, Plant and Equipment**

**Movement on Fixed Assets**

The table below and on the following page show 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. The adjustment to the opening leases balance reflects the derecognition of vehicles no longer used within the Council's Street Scene Contract.

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	Total Valued Assets £'000	Leased Vehicles & Equipment £'000	Total £'000
<b>Tangible Assets</b>										
Cost or Valuation at 31 March 2011	95,460	13,032	5,429	927	298	198	4,638	119,982	3,396	123,378
Adjustment to opening balance									(427)	(427)
<b>Movement in 2011/2012</b>										
Additions	1,663	1,977	17	-	-	-	312	3,969	71	4,040
Transfers	30	5,341	(5,371)	-	-	-	-	-	-	-
(Revaluation increases/ (decreases) recognised in the Revaluation Reserve										
Revaluation increases/ (decreases) recognised in the (Surplus)/Deficit on the Provision of Services	834	218	-	-	-	-	-	1,052	-	1,052
Derecognition - disposals	(1,063)	-	-	-	-	-	-	(1,063)	-	(1,063)
Derecognition - disposals	(139)	(1,316)	-	(625)	-	-	(4)	(2,084)	-	(2,084)
<b>Value as at 31 March 2012</b>	<b>96,785</b>	<b>19,252</b>	<b>75</b>	<b>302</b>	<b>298</b>	<b>198</b>	<b>4,946</b>	<b>121,856</b>	<b>3,040</b>	<b>124,896</b>
<b>Accumulated Depreciation and Impairment</b>										
at 31 March 2011	-	(1,982)	-	(175)	(44)	(29)	(3,824)	(6,064)	(733)	(6,787)
Adjustment to opening balance										
<b>Movement in 2011/2012</b>										
Depreciation for the Year	(1,130)	(298)	-	(1)	(25)	(5)	(256)	(1,715)	(415)	(2,130)
Depreciation written out to the Revaluation Reserve	-	(57)	-	-	-	-	-	(57)	-	(57)
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the (Surplus)/Deficit on the Provision of Services	(10)	(1,510)	(7)	(7)	-	-	(16)	(1,550)	(159)	(1,709)
Derecognition - disposals	1	-	-	-	-	-	-	1	-	1
Other movements in Depreciation and Impairment	1,129	-	-	-	-	-	-	1,129	-	1,129
<b>Value as at 31 March 2012</b>	<b>(10)</b>	<b>(3,847)</b>	<b>(7)</b>	<b>(183)</b>	<b>(69)</b>	<b>(34)</b>	<b>(4,096)</b>	<b>(8,246)</b>	<b>(1,307)</b>	<b>(9,553)</b>
<b>Net Book Value</b>										
at 31 March 2012	96,775	15,405	68	119	229	164	850	113,610	1,733	115,343
at 31 March 2011	95,460	11,050	5,429	752	254	169	814	113,928	2,663	116,591

**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

**9. Property, Plant and Equipment continued .....**

**Movement on Fixed Assets continued .....**

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	Total Valued Assets £'000	Leased Vehicles & Equipment £'000	Total £'000
<b>2010/2011</b>										
<b>Tangible Assets</b>										
Cost or Valuation at 31 March 2010	152,548	11,488	1,252	927	298	198	4,478	171,189	2,319	173,508
<b>Movement in 2010/2011</b>										
Additions	2,974	392	4,177	-	-	-	172	7,715	1,077	8,792
Transfers	-	-	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(7,693)	373	-	-	-	-	-	(7,320)	-	(7,320)
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(47,610)	199	-	-	-	-	-	(47,411)	-	(47,411)
Derecognition - disposals	(125)	-	-	-	-	-	(12)	(137)	-	(137)
<b>Value as at 31 March 2011</b>	<b>100,094</b>	<b>12,452</b>	<b>5,429</b>	<b>927</b>	<b>298</b>	<b>198</b>	<b>4,638</b>	<b>124,036</b>	<b>3,396</b>	<b>127,432</b>
<b>Accumulated Depreciation and Impairment</b>										
at 31 March 2010	(1,660)	(599)	-	(151)	(19)	(24)	(3,465)	(5,918)	(262)	(6,180)
<b>Movement in 2010/2011</b>										
Depreciation for the Year	(1,758)	(373)	-	(1)	(25)	(5)	(367)	(2,529)	(471)	(3,000)
Depreciation written out to the Revaluation Reserve	1,758	-	-	-	-	-	-	1,758	-	1,758
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	(253)	-	(20)	-	-	-	(273)	-	(273)
Impairment losses/(reversals) recognised in the (Surplus)/Deficit on the Provision of Services	(2,607)	(177)	-	(3)	-	-	-	(2,787)	-	(2,787)
Derecognition - disposals	-	-	-	-	-	-	8	8	-	8
Other movements in Depreciation and Impairment	(367)	-	-	-	-	-	-	(367)	-	(367)
<b>Value as at 31 March 2011</b>	<b>(4,634)</b>	<b>(1,402)</b>	<b>-</b>	<b>(175)</b>	<b>(44)</b>	<b>(29)</b>	<b>(3,824)</b>	<b>(10,108)</b>	<b>(733)</b>	<b>(10,841)</b>
<b>Net Book Value</b>										
at 31 March 2011	95,460	11,050	5,429	752	254	169	814	113,928	2,663	116,591
at 31 March 2010	150,888	10,889	1,252	776	279	174	1,013	165,271	2,057	167,328

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 10. 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

### 11. 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 2012, 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 £13.480m the table analyses these schemes which are approved to proceed but are not yet contracted:

	Expenditure approved and contracted at 31-Mar-12 £'000	Expenditure approved to proceed but not contracted at 31-Mar-12 £'000	Period of Investment
New Build	-	147	1 year
Improvements to land & buildings	-	502	1-2 years
Grants to other bodies	-	10	1 year
Equipment & IT Software	-	365	1 year
Home Improvement Grants & Survey	-	406	1-3 years
Modernisations to HRA land & buildings	-	12,050	1-3 years
<b>Total</b>	-	<b>13,480</b>	

**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

**12. Revaluations**

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 were revalued in 2011/12.

	Council Dwellings £'000	Other Land and Buildings £'000	Total £'000
<b>Valued at historical cost:</b>	133,938	9,694	143,632
<b>Valued at current value :</b>	96,775	15,405	112,180
<b>Value in Revaluation Reserve :</b>	839	2,137	2,976

**13. Intangible Assets**

2010/2011				2011/2012		
Software Licenses £'000	Other Intangible £'000	Total £'000		Software Licenses £'000	Other Intangible £'000	Total £'000
			<b>Balance at start of year</b>			
470	145	615	Original Cost	550	145	695
(286)	(64)	(350)	Accumulated amortisation	(396)	(93)	(489)
<b>184</b>	<b>81</b>	<b>265</b>	<b>Net carrying amount at start of year</b>	<b>154</b>	<b>52</b>	<b>206</b>
80	-	80	Expenditure in Year	-	-	-
(110)	(29)	(139)	Amortisation for the year	(53)	(25)	(78)
<b>154</b>	<b>52</b>	<b>206</b>	<b>Net carrying amount at end of year</b>	<b>101</b>	<b>27</b>	<b>128</b>
			Comprising:			
550	145	695	Gross carrying amounts	550	145	695
(396)	(93)	(489)	Accumulated amortisation	(449)	(118)	(567)
<b>154</b>	<b>52</b>	<b>206</b>		<b>101</b>	<b>27</b>	<b>128</b>

**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

**13. Intangible Assets continued .....**

The intangible assets set out in the previous table 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 8 to the HRA Statement at a cost of £8k (£27k 2010/11). 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.

**14. Financial Instrument Balances**

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments. Notes 17 and 41 provide further information.

	Long-Term		Current	
	31-Mar-11 £'000	31-Mar-12 £'000	31-Mar-11 £'000	31-Mar-12 £'000
<b>Investments</b>				
Loans and receivables	-	4,018	18,133	12,174
Available-for-sale financial assets	15	18	-	-
<b>Total investments</b>	<b>15</b>	<b>4,036</b>	<b>18,133</b>	<b>12,174</b>
<b>Debtors</b>				
Loans and receivables	299	263	52	39
Financial assets carried at contract amounts	-	-	2,159	1,794
<b>Total included in Debtors</b>	<b>299</b>	<b>263</b>	<b>2,211</b>	<b>1,833</b>
<b>Borrowings</b>				
Financial Liabilities at amortised cost	(10,081)	(60,299)	(2,213)	(4,772)
<b>Total included in Borrowings</b>	<b>(10,081)</b>	<b>(60,299)</b>	<b>(2,213)</b>	<b>(4,772)</b>
<b>Other Long-Term Liabilities</b>				
Finance lease liabilities	(2,163)	(1,395)	(491)	(353)
<b>Total Other Long-Term Liabilities</b>	<b>(2,163)</b>	<b>(1,395)</b>	<b>(491)</b>	<b>(353)</b>
<b>Creditors</b>				
Financial liabilities carried at contract amounts	-	-	(2,474)	(1,680)
<b>Total Creditors</b>	<b>-</b>	<b>-</b>	<b>(2,474)</b>	<b>(1,680)</b>

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 15. Long Term Debtors

	Long-Term		Current	
	31-Mar-11 £'000	31-Mar-12 £'000	31-Mar-11 £'000	31-Mar-12 £'000
Soft Loans	61	53	8	7
Employee Loans	40	20	35	20
Mortgages - Ex Council Houses	14	8	6	6
Repair Assistance Loans	170	182	2	6
Transferred Services	14	-	1	-
<b>Total Long Term Debtors</b>	<b>299</b>	<b>263</b>	<b>52</b>	<b>39</b>

### 16. Short-Term Investments

	Current	
	31-Mar-11 £'000	31-Mar-12 £'000
Short-Term Investments	18,133	12,174
<b>Total Short Term Investments</b>	<b>18,133</b>	<b>12,174</b>

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 17. Financial Instruments Gains, Losses and Fair Values

The gains and losses recognised in the Comprehensive Income and Expenditure Statement are made up as follows:

2010/11					2011/12			
Financial Liabilities	Financial Assets		Total		Financial Liabilities	Financial Assets		Total
Liabilities measured amortised cost £'000	Loans and receivables £'000	Available-for-sale assets £'000	Total £'000		Liabilities measured amortised cost £'000	Loans and receivables £'000	Available-for-sale assets £'000	Total £'000
897	-	-	897	Interest Expense	822	-	-	822
-	-	-	-	Losses on derecognition	-	-	-	-
-	-	-	-	Impairment Losses	-	-	-	-
<b>897</b>	-	-	<b>897</b>	<b>Interest Payable &amp; Similar Charges</b>	<b>822</b>	-	-	<b>822</b>
-	(403)	(1)	(404)	Interest income	-	(305)	(1)	(306)
-	-	-	-	Gains on derecognition	-	-	-	-
-	<b>(403)</b>	<b>(1)</b>	<b>(404)</b>	<b>Interest &amp; Investment Income</b>	-	<b>(305)</b>	<b>(1)</b>	<b>(306)</b>
-	-	-	-	Gains on Revaluation	-	-	(3)	-
-	-	-	-	Losses on Revaluation	-	-	-	-
-	-	-	-	Amounts recycled to the I&E Account after impairment	-	-	-	-
-	-	-	-	<b>Surplus arising on the revaluation of financial assets</b>	-	-	<b>(3)</b>	-
<b>897</b>	<b>(403)</b>	<b>(1)</b>	<b>493</b>	<b>Net gain/(loss) for the year</b>	<b>822</b>	<b>(305)</b>	<b>(4)</b>	<b>513</b>

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. The 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:

Previously 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 £58.52m, the Sector fair value for the same debt is £46.64m. As the PWLB borrowing is now the major amount of the debt held valuations using both methods have been shown below for comparison.

- (a) estimated interest rates at 31 March 2011 of 1.31% - 4.33% for PWLB borrowing, 1.41% for LGS Stock.
- (b) estimated interest rates of between 0.90% - 2.00% for external loans receivable interest for deposits placed with financial
- (c) in addition the following which form part of the loans receivable total - mortgages advanced to council tenants under the right 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;
- (d) no early repayment or impairment is recognised;
- (e) where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value;
- (f) the fair value of trade and other receivables is taken to be the invoiced or billed amount;

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 17. Financial Instruments Gains, Losses and Fair Values continued .....

The fair values calculated using Sector's method are as follows:

	31 March 2011		31 March 2012	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities	12,294	15,111	65,008	61,488

The fair values calculated using PWLB's method are as follows:

	31 March 2011		31 March 2012	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities	12,294	15,129	65,008	73,365

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.

	31 March 2011		31 March 2012	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans and Receivables	(18,377)	(20,291)	(19,494)	(19,426)

The fair value is marginally lower than the carrying amount because the authority's portfolio of investments consists of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the balance sheet date. This guarantee to receive interest at around current market rates reduces the amount that the authority would receive if it agreed to early repayment of the loans.

### 18. Inventories

The stock held by the Council is classified into two categories: other, which includes stock of stationery and railcards for the elderly; and supplies for building maintenance which is used on council dwellings.

	Other		Building Maintenance		Total	
	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000
<b>Opening Balance</b>	4	3	24	17	<b>28</b>	<b>20</b>
Purchases in Year	23	40	253	276	<b>276</b>	<b>316</b>
Usage in Year	(24)	(37)	(260)	(279)	<b>(284)</b>	<b>(316)</b>
<b>Closing Balance</b>	<b>3</b>	<b>6</b>	<b>17</b>	<b>14</b>	<b>20</b>	<b>20</b>



## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 19. Debtors & Prepayments

31-Mar-11 £'000		31-Mar-12 £'000
	Amounts falling due in one year:	
4,704	Central Government Bodies	354
474	Other Local Authorities	-
-	NHS bodies	-
	Public Corporations and Trading Funds	-
2,287	Other Entities and Individuals	3,119
<b>7,465</b>		<b>3,473</b>
(510)	Less Provision for Bad Debts	(611)
<b>6,955</b>	<b>Total</b>	<b>2,862</b>

### 20. Cash and Cash Equivalents

	Balance at 31-Mar-11 £'000	Balance at 31-Mar-12 £'000	Cash Movement £'000
Cash in hand	1	1	-
Cash at bank / (overdrawn)	216	1,774	1,558
Cash Equivalents	-	3,000	3,000
<b>Total</b>	<b>217</b>	<b>4,775</b>	<b>4,558</b>

### 21. Creditors

31-Mar-11 £'000		31-Mar-12 £'000
(64)	Central Government Bodies	(2,374)
(281)	Other Local Authorities	(154)
-	NHS bodies	-
-	Public Corporations and Trading Funds	-
(2,841)	Other Entities and Individuals	(2,318)
(744)	Section 106 Receipts (see note 21.1)	(666)
<b>(3,930)</b>	<b>Total</b>	<b>(5,512)</b>

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 21.1. 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-11 £'000	Income £'000	Expenditure £'000	Balance at 31-Mar-12 £'000
Open Space Schemes	(555)	(163)	231	(487)
Health Care Facilities	(66)	(79)	79	(66)
Education	(57)	(53)	107	(3)
Public Transport / Traffic	(42)	(80)	40	(82)
Waste & Recycling	(24)	(4)	-	(28)
<b>Total</b>	<b>(744)</b>	<b>(379)</b>	<b>457</b>	<b>(666)</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.

### 22. Provisions

	Other Provisions £'000	Employers Costs £'000	Total £'000
<b>Balance at 1 April 2010</b>	<b>(109)</b>	-	<b>(109)</b>
Additional provisions made in 2010/11	-	(53)	(53)
Amounts used in 2010/11 (22.1)	44	-	44
Amounts transferred to Earmarked Reserves in 2010/11(22.2)	27	-	27
Unused amounts reversed in 2010/11 (22.1)	38	-	38
<b>Balance at 31 March 2011</b>	-	<b>(53)</b>	<b>(53)</b>
Additional provisions made in 2011/12	-	-	-
Amounts used in 2011/12 (22.2)	-	53	53
Unused amounts reversed in 2011/12	-	-	-
<b>Balance at 31 March 2012</b>	-	-	-

22.1 The purpose of the 'other provisions' shown above were reviewed during 2010/11 with some balances transferred to earmarked reserves and others returned to the General Fund as they were no longer required.

22.2 The employers costs provision was established in 2010/11 to provide for the costs of staff due to be made redundant (redundancy payments and pension strain costs) in 2011/12 as a consequence of decisions taken in 2010/11. The provision was fully utilised in 2011/12.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 23. Usable 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. Unusable Reserves are detailed in note 24.

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement, and set out in detail in note 7. Descriptions of each reserve are shown after the table.

2010/11 £'000		2011/12 £'000	Note
	<b>Usable Reserves</b>		
(2,835)	General Fund	(2,290)	23.1
(7,865)	Earmarked Reserves	(8,877)	23.2
(1,671)	Housing Revenue Account	(1,639)	23.3
-	Major Repairs Reserve	(871)	23.4
(94)	Capital Receipts Reserve	(505)	23.5
(228)	Capital Grants Unapplied	(228)	23.6
<b>(12,693)</b>	<b>Total</b>	<b>(14,410)</b>	

#### 23.1. 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.

#### 23.2. Earmarked Reserves

The Council has reserves which have been set up voluntarily to earmark resources for future spending plans. The details of these reserves are set out in note 8.

#### 23.3. 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.

#### 23.4. Major Repairs Reserve

This is an earmarked balance which is used to support capital expenditure on the Council's Housing stock. Its purpose is to hold funds for the housing capital programme or the repayment of HRA debt until such time as they are required.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 23. Usable Reserves continued .....

#### 23.5. 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.

#### 23.6. 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.

### 24. Unusable Reserves

Unusable reserves are those that are kept to manage accounting processes for non-current assets, financial instruments, and retirement benefits and do not represent usable resources for the Authority. Usable Reserves are detailed in note 23.

Details of each of the reserves, together with movements in the year, are shown below the table.

2010/11 £'000		2011/12 £'000	Note
	<b>Unusable Reserves</b>		
(2,459)	Revaluation Reserve	(3,016)	24.1
5	Available-for-Sale Financial Instruments Reserve	2	24.2
(108,242)	Capital Adjustment Account	(49,629)	24.3
14	Financial Instruments Adjustment Account	18	24.4
(20)	Deferred Capital Receipts Reserve	(14)	24.5
18,496	Pensions Reserve	21,853	24.6
(116)	Collection Fund Adjustment Account	(153)	24.7
<b>(92,322)</b>	<b>Total</b>	<b>(30,939)</b>	

#### 24.1. Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

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

**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

**24. Unusable Reserves continued .....**

**24.1. Revaluation Reserve continued .....**

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

2010/11 £'000		2011/12 £'000
<b>(10,116)</b>	<b>Balance brought forward at 1 April</b>	<b>(2,459)</b>
(278)	Gains arising from Fixed Asset Revaluations	(1,653)
7,864	Revaluation balances consumed following the impairment of fixed assets	601
<b>7,586</b>	Surplus/(Deficit) on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services	<b>(1,052)</b>
71	Difference between fair value depreciation and historical cost depreciation	57
-	Revaluation balances written out following the disposal of fixed assets	438
<b>71</b>	Amount written off to the Capital Adjustment Account	<b>495</b>
<b>(2,459)</b>	<b>Balance carried forward at 31 March</b>	<b>(3,016)</b>

**24.2. 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.

2010/11 £'000		2011/12 £'000
<b>5</b>	<b>Balance brought forward at 1 April</b>	<b>5</b>
-	Loss / (Gain) on Revaluation	(3)
-	<b>Total movement on the reserve in Year</b>	<b>(3)</b>
<b>5</b>	<b>Balance carried forward at 31 March</b>	<b>2</b>

**24.3. Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to an historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 24. Unusable Reserves continued .....

#### 24.3. Capital Adjustment Account continued .....

The Movement in Reserves Statement provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Included within the depreciation and impairment figure for 2011/12 is the exceptional item of £1.303m relating to the Abbey Leisure Centre fire and for 2010/11 is the exceptional item of £48.828m relating to the revised discount on the value of social housing.

2010/11 £'000		2011/12 £'000
<b>(155,337)</b>	<b>Balance brought forward at 1 April</b>	<b>(108,242)</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
50,029	Costs associated with depreciation and impairment	2,625
1,998	Transfer to Major Repairs Reserve re HRA depreciation	1,130
238	Revenue Expenditure Funded From Capital Under Statute	57,919
3	Transfer from Movement in Reserves on General Fund Balance re disposals	2,081
52,268		63,755
(71)	Transfer from Revaluation Reserve re Depreciation, Disposals & Impairments	(495)
<b>52,197</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>63,260</b>
	Capital financing applied in the year:	
(2,063)	Capital expenditure financed from Capital Receipts Reserve	(2,393)
(816)	Major Repairs grant applied to capital investment in year	(1,130)
(58)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(62)
-	Application of grants to capital financing from the Capital Grants Unapplied Account	-
(99)	Minimum Revenue Provision - Borrowing	(96)
(475)	Minimum Revenue Provision - Leases	(392)
(1,465)	Capital expenditure financed from revenue	(584)
<b>(4,976)</b>	<b>Total capital financing applied in the year</b>	<b>(4,657)</b>
<b>(126)</b>	Soft Loan Adjustment	<b>10</b>
<b>(108,242)</b>	<b>Balance carried forward at 31 March</b>	<b>(49,629)</b>

**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

**24. Unusable Reserves continued .....**

**24.4. Financial Instruments Adjustment Account**

This account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council has used the Account to manage premiums paid and discounts received on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed in 1992 and 2001. As a result, the balance on the Account at 31 March 2012 will be charged to the General Fund over the next 3 years.

2010/11 £'000		2011/12 £'000
<b>3</b>	<b>Balance brought forward at 1 April</b>	<b>14</b>
14	Overhanging Loan Discounts	7
(1)	Overhanging Loan Premiums	(1)
(2)	Soft Loan adjustment	(2)
<b>11</b>	<b>Total movement on the account in Year</b>	<b>4</b>
<b>14</b>	<b>Balance carried forward at 31 March</b>	<b>18</b>

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 Council.

**24.5. Deferred Capital Receipts Reserve**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal on non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve. They arise principally from mortgages on sales of Council Houses which form the part of loans and receivables in notes 14 and 15.

2010/11 £'000		2011/12 £'000
<b>(26)</b>	<b>Balance brought forward at 1 April</b>	<b>(20)</b>
6	Principal Repayments in year transferred to the Capital Receipts Reserve	6
<b>(20)</b>	<b>Balance carried forward at 31 March</b>	<b>(14)</b>

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 24. Unusable Reserves continued .....

#### 24.6. Pensions Reserve

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

2010/11 £'000		2011/12 £'000
<b>24,749</b>	<b>Balance brought forward at 1 April</b>	<b>18,496</b>
(4,225)	Actuarial gains or losses on pensions assets and liabilities	2,965
(698)	Reversal of items relating to retirement benefits debited or credited to the (Surplus)/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	1,896
(1,330)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,504)
<b>18,496</b>	<b>Balance carried forward at 31 March</b>	<b>21,853</b>

#### 24.7. Collection Fund Adjustment Account

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.

2010/11 £'000		2011/12 £'000
<b>(57)</b>	<b>Balance brought forward at 1 April</b>	<b>(116)</b>
(59)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax calculated for the year in accordance with statutory requirements	(37)
<b>(116)</b>	<b>Balance carried forward at 31 March</b>	<b>(153)</b>



## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 25. Amounts Reported for Resource Allocation Decisions

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 Service Reporting 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 (accounts reported for resource allocation decisions) is to disclose information to enable users of the Council's 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 Executive (Leader of the Council plus four Lead Members), the Chief Executive, Deputy Chief Executive and the Executive Director (s151). The data presented in the Segmental Reporting Table is in a format familiar to the Council.

As a consequence of the complete restructure of the Council for the of delivering services through the creation of a commissioning Core, an internal Service Delivery Vehicle - Access Selby, and an interim department to work with the Voluntary Sector - Communities Selby it is not possible to compare the council's operations between 2010/11 and 2011/12.

#### Income and Expenditure 2011/12

	Core £'000	Access Selby £'000	Community Selby £'000	TOTALS £'000
<b>Income</b>				
Fees, charges and other service income	(3,045)	(11,929)	(28)	(15,002)
Government grants and contributions	(2,105)	(22,062)	-	(24,167)
<b>Total Income</b>	<b>(5,150)</b>	<b>(33,991)</b>	<b>(28)</b>	<b>(39,169)</b>
<b>Expenditure</b>				
Employees	936	6,386	151	7,473
Premises	8	1,523	3	1,534
Transport	14	265	4	283
Supplies & Services	5,589	7,673	188	13,450
Third Party Payments	1,503	21,047	-	22,550
Support service recharges	-	-	-	-
Depreciation, amortisation and Impairment	4,143	-	-	4,143
HRA self financing settlement payment	57,733	-	-	57,733
<b>Gross Expenditure</b>	<b>69,926</b>	<b>36,894</b>	<b>346</b>	<b>107,166</b>
<b>Net Services Expenditure</b>	<b>64,776</b>	<b>2,903</b>	<b>318</b>	<b>67,997</b>
Investment Income	(306)	-	-	(306)
Interest Payments	816	-	-	816
Reversal of Accounting for Pension adjustments	627	(234)	(2)	391
Capital Accounting adjustments	(58,663)	-	-	(58,663)
Contributions to / (from) Reserves	(103)	601	(63)	435
<b>Net Expenditure</b>	<b>7,147</b>	<b>3,270</b>	<b>253</b>	<b>10,670</b>

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 25. Amounts Reported for Resource Allocation Decisions continued .....

#### Income and Expenditure 2010/11 Comparative Figures

There is a net movement in total expenditure of £10.4m between 2010/11 and 2011/12. This is due to the incorporation in the Accounts of three, one-off exceptional cost items. In 2010/11 there was expenditure of £48.8m for the impact of the revaluation of council dwellings in line with the revised social housing discount. In 2011/12 there are two items: £57.7m for the cost of the Housing Self-Determination legislation and £1.3m impairment charge following the fire at the Abbey Leisure Centre.

	<b>Economy</b>	<b>Environment</b>	<b>Planning</b>	<b>Social GF</b>	<b>Social HRA</b>	<b>P &amp; R</b>	<b>Central Support</b>	<b>TOTALS</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Income</b>								
Fees, charges and other service income	(692)	(1,702)	(396)	(711)	(11,967)	(2,225)	(6,822)	(24,515)
Government grants and contributions	(19,935)	20	-	(303)	(2,000)	(51)	(7)	(22,276)
<b>Total Income</b>	<b>(20,627)</b>	<b>(1,682)</b>	<b>(396)</b>	<b>(1,014)</b>	<b>(13,967)</b>	<b>(2,276)</b>	<b>(6,829)</b>	<b>(46,791)</b>
<b>Expenditure</b>								
Employees	588	134	474	221	1,215	1,344	5,419	9,395
Pension	-	-	-	-	-	(2,144)	-	(2,144)
Premises	21	185	-	106	694	13	439	1,458
Transport	10	8	19	9	199	52	6	303
Supplies & Services	393	323	141	454	1,248	939	547	4,045
Payments	19,486	3,053	-	987	6,044	83	108	29,761
Support service recharges	956	1,047	565	794	2,264	2,229	-	7,855
Depreciation, amortisation and impairment	141	715	57	270	50,672	109	310	52,274
<b>Gross Expenditure</b>	<b>21,595</b>	<b>5,465</b>	<b>1,256</b>	<b>2,841</b>	<b>62,336</b>	<b>2,625</b>	<b>6,829</b>	<b>102,947</b>
<b>Net Expenditure</b>	<b>968</b>	<b>3,783</b>	<b>860</b>	<b>1,827</b>	<b>48,369</b>	<b>349</b>	<b>-</b>	<b>56,156</b>

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 25. Amounts Reported for Resource Allocation Decisions continued .....

#### Reconciliation of Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2010/2011 £'000		2011/2012 £'000
56,156	Net expenditure in the Analysis	10,670
-	Net expenditure of services and support services not included in the Analysis	-
-	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	55,886
-	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-
<b>56,156</b>	<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>66,556</b>

**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

**25. Amounts Reported for Resource Allocation Decisions continued .....**

**Reconciliation to Subjective Analysis**

This table reconciles the data in the analysis of income and expenditure relate to a subjective analysis of the (Surplus)/Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement

2010/11 Net Cost of Service £'000	2010/11 Corporate Amounts £'000	2010/11 Net Position £'000	2010/11	2011/12 Net Cost of Service £'000	2011/12 Corporate Amounts £'000	2011/12 Net Position £'000
			<b>Income</b>			
(24,515)	-	(24,515)	Fees, charges and other service income	(15,003)	-	(15,003)
(22,276)	(7,032)	(29,308)	Government grants and contributions	(24,167)	(5,938)	(30,105)
-	(348)	(348)	Interest Receipts	-	(306)	(306)
-	(6,139)	(6,139)	Income from Council Tax	-	(6,267)	(6,267)
-	(1,728)	(1,728)	Return on Pension Assets	-	(1,719)	(1,719)
-	(100)	(100)	Gain on disposal of Non-current assets/Other Capital Receipts	-	(827)	(827)
(46,791)	(15,347)	(62,138)	Total Income	(39,170)	(15,057)	(54,227)
			<b>Expenditure</b>			
9,395	-	9,395	Employee Expenses	7,474	-	7,474
(2,144)	-	(2,144)	Past Service Pension Cos	1,534	-	1,534
1,458	-	1,458	Premises	284	-	284
303	-	303	Transport	13,450	-	13,450
4,045	-	4,045	Supplies & Services	21,108	-	21,108
29,761	-	29,761	Third Party Payments	57,733	-	57,733
7,855	-	7,855	Support Service Recharges	4,143	-	4,143
-	-	-	HRA Self Financing Settlement Payment	-	3,289	3,289
52,274	-	52,274	Depreciation, amortisation and impairment	-	2,851	2,851
-	3,778	3,778	Interest Payments	-	117	117
-	2,797	2,797	Precepts & Levies	-	-	-
-	155	155	Payments to the Housing Capital Receipts Pool	105,726	6,257	111,983
102,947	6,730	109,677	Gross Expenditure	66,556	(8,800)	57,756
56,156	(8,617)	47,539	(Surplus)/Deficit on the Provision of Services			

**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

**26. Surpluses / Deficits on Significant Trading Operations**

Trading operations are activities of a commercial nature financed substantially by charges to recipients of the service. The Council does not have any significant trading operations.

**27. Agency Services**

The Council acts as agent for central government in the collection of national non-domestic rates, and as agent for major preceptors in the collection of council tax. Further details are given in the notes to the Collection Fund.

**28. Members Allowances**

The cost of Members Allowance payments is included within the Corporate and Democratic Core costs and in 2011/12 amounted to £236,614 (£236,157 in 2010/11). The 2011/12 figures include the allowances paid to the chair (£2,200) and vice chair (£960) and an allowance of £1,102 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. The payments can be allocated as follows:

2010/2011 £'000		2011/2012 £'000
226	Allowances	231
10	Expenses	9
<b>236</b>	<b>Total</b>	<b>240</b>

**29. Officers' Remuneration**

The following tables 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.

2010/2011  Post Title	Salary		Total Remuneration excluding pension contributions		Total Remuneration including pension contributions
	(including fees & allowances) £	Benefits in Kind (car allowance) £	2010/2011 £	Employers pension contributions £	2010/2011 £
Chief Executive	92,852	963	93,815	10,585	104,400
Deputy Chief Executive	72,012	963	72,975	8,210	81,185
<u>Heads of Service:-</u>					
Finance	56,203	963	57,166	6,407	63,573
Housing & Property	50,799	963	51,762	5,791	57,553
Development Services	50,799	963	51,762	5,791	57,553
Customer and Business Support	50,799	963	51,762	5,791	57,553
Partnerships & Commissioning	50,799	963	51,762	5,791	57,553
	424,263	6,741	431,004	48,366	479,370

The Employer's Pension Contributions shown above have been restated for comparability purposes with the revised charging methodology introduced by the NYPF in 2011/12.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 29. Officers' Remuneration continued .....

2011/2012				Total Remuneration excluding pension contributions 2011/2012	Employers pension contributions	Total Remuneration including pension contributions 2011/2012
Post Title	Salary (including fees & allowances) £	Benefits in Kind (car allowance) £	£	£	£	
Chief Executive	92,852	963	93,815	10,585	104,400	
Deputy Chief Executive	72,012	963	72,975	8,209	81,184	
<u>Heads of Service:-</u>						
Executive Director S151	56,203	963	57,166	6,407	63,573	
Director (MD)	56,053	963	57,016	6,390	63,406	
Director	50,799	963	51,762	5,791	57,553	
Director	50,799	963	51,762	5,791	57,553	
Executive Director	50,799	963	51,762	5,791	57,553	
	429,517	6,741	436,258	48,964	485,222	

The Council has no other employees who receive more than £50,000 remuneration, excluding employers pension contributions.

### 30. Audit Fees

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

2010/2011 £'000		2011/2012 £'000
101	Fees due to the Audit Commission with regard to external audit services carried out by the appointed auditor.	98
-	Rebate on fees	(8)
13	Fees due to the Audit Commission in respect of statutory inspection.	-
40	Fees paid to the Audit Commission for the certification of grant claims and returns.	40
<b>154</b>	<b>Total</b>	<b>130</b>

**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

**31. Grant Income**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

2010/2011 £'000		2011/2012 £'000
	<b><u>Credited to Taxation and Non-specific Grant Income</u></b>	
(857)	Revenue Support Grant	(1,240)
(5,902)	NNDR Rates Pool	(4,012)
-	Local Services Support Grant	(60)
	Non-Service Related Government Grants	
-	New Homes Bonus	(445)
-	Council Tax Reduction Grant	(119)
(96)	Area Based Grant	-
	Capital Grants	
(114)	Private Sector Home Improvement Works (General Fund)	-
(7)	Conservation & Listed Buildings Works (General Fund)	-
(6)	Urban Renaissance Programme (General Fund)	-
-	Single Capital Pot	(7)
(50)	Energy Efficiency (Housing Revenue Account)	(55)
<b>(7,032)</b>	<b>Total</b>	<b>(5,938)</b>
	<b><u>Credited to Services</u></b>	
	Other Government Grants:-	
(8,410)	Rent Allowances	(9,869)
(4,749)	Council Tax Benefits	(4,744)
(5,664)	Rent Rebates	(6,113)
(31)	Private Sector Home Improvement Works (General Fund)	(160)
(485)	Housing Benefits Admin & Counter Fraud Grant	(465)
(61)	Homeless Persons Grant	(65)
(403)	Private Finance Initiative	(278)
(183)	Concessionary Fares	-
(51)	Other Small Grants	(174)
<b>(20,037)</b>	<b>Total</b>	<b>(21,868)</b>

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them at the balance sheet date that will require the monies or property to be returned to the giver if they are not utilised for the intended purpose. Capital grant receipts in advance are sums of money that have been received from the Government such as Single Capital Pot Grants and Disabled Facilities Grants, and other organisations to contribute towards the costs of non-current assets and other capital expenditure such as grants to other organisations. 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 balances at the year-end are as follows:

	Long-Term		Current	
	31-Mar-11 £'000	31-Mar-12 £'000	31-Mar-11 £'000	31-Mar-12 £'000
<b><u>Grants Receipts in Advance (Capital Grants)</u></b>				
Single Capital Pot	-	-	(46)	(27)
Disabled Facilities Grant	-	-	-	(27)
<b>Total</b>	-	-	<b>(46)</b>	<b>(54)</b>

**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

**31. Grant Income continued .....**

	Long-Term		Current	
	31-Mar-11 £'000	31-Mar-12 £'000	31-Mar-11 £'000	31-Mar-12 £'000
<b>Grants Receipts in Advance (Revenue Grants)</b>				
Local Services Grant	-	-	-	(53)
<b>Total</b>	-	-	-	<b>(53)</b>

**32. 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 significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits, council tax bills). Grants received from Government Departments and recognised as income in the year are disclosed in note 31, together with receipts in advance not yet recognised as income.

**Members**

Members of the Council have direct control over the council's financial and operating policies. The total of member allowances paid in 2011/12 is shown in Note 28.

Some Members are directors and/or trustees of various entities in their own private capacity. During 2011/12 the council paid grants totalling £44,520 of which £37,863 was paid to Selby Citizens Advice Bureau (CAB) and £4,144 to Age Concern Selby, both of which have Members as Trustees. In addition a loan of £5,000 was made to Selby CAB. Cllr Mark Crane is trustee of Selby Citizens Advice Bureau. Cllr Ruth Saynor is Chair and Cllr Brian Marshall is a trustee of Age Concern Selby (Age UK). In all instances, the grants and loan 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.

**Officers**

In 2011/12 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 £8k were advanced during the year to officers to enable them to carry out their official duties, £43k was repaid leaving a balance of £39k.



## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 32. Related Party Transactions continued .....

#### Other Public Bodies

During the year the Council made payments to other public bodies, which are considered to be related parties as they are subject to common control by central government. These exclude payments of precepts to North Yorkshire County Council, North Yorkshire Police Authority and North Yorkshire Fire and Rescue Authority.

During the year the Council paid a total of £1.410m (£1.365m 2010/11) in precepts to the 67 parishes within the district. £1.441m (£1.432m 2010/11) 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 paid £1.593m (£1.509m in 2010/11) of employer contributions to the North Yorkshire Pension Fund who administer the pension scheme on behalf of the Council and its employees.

The Council paid £0.135m (£0.217m in 2010/11) to North Yorkshire County Council for waste disposal services. This figure was omitted from 2010/11 accounts and has been included for comparison purposes.

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 £98k (£95k in 2010/11) for audit services to the partnership.

The Council is a full partner along with Ryedale DC (the host authority), Scarborough BC, Richmondshire DC and Hambleton DC of the North Yorkshire Building Control Partnership. Information regarding this organisation is disclosed in note 55.

In addition the Council paid on behalf of and received from North Yorkshire and York PCT £0.932m (£9.727m in 2010/11 ) 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.

2010/2011 Transactions Restated £'000		2011/2012 Transactions £'000	2011/2012 Balance £'000
1,365	Parish Precepts	1,410	-
1,432	Internal Drainage Board Levies	1,441	-
1,509	North Yorkshire Pension Fund (Employer Contributions)	1,514	-
217	North Yorkshire waste disposal services	124	11
95	Ryedale District Council (for North Yorkshire Audit Partnership)	98	22
<b>4,618</b>	<b>Total Payments</b>	<b>4,587</b>	<b>33</b>

### 33. Capital Expenditure and Financing

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

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 33. Capital Expenditure and Financing continued.....

2010/2011 £'000		2011/2012 £'000	2011/2012 £'000
<b>2,268</b>	<b>Opening Capital Financing Requirement</b>		<b>6,407</b>
	<b>Capital investment</b>		
3,275	Property Plant & Equipment - Council Owned	2,788	
1,077	Property Plant & Equipment - Leased	72	
4,441	Assets Under Construction	1,180	
80	Intangible assets	-	
576	Revenue Expenditure Funded from Capital Under Statute (REFCUS) - Grants	418	
145	Revenue Expenditure Funded from Capital Under Statute (REFCUS) - Loans	15	
-	Revenue Expenditure Funded from Capital Under Statute (REFCUS) - Housing Self-Financing Determination	57,733	
<b>9,594</b>	<b>Total Capital Investment</b>		<b>62,206</b>
	<b>Sources of finance</b>		
(2,063)	Capital receipts	(2,393)	
(1,289)	Government grants and other contributions	(1,414)	
(1,529)	Sums Set Aside from Revenue (Assets/Soft Loans/REFCUS)	(594)	
(99)	MRP / Loans Fund Principal	(96)	
(475)	MRP - Lease Principal	(392)	
-	Reduction in lease liability re Leisure & Street Scene Vehicles	(583)	(5,472)
<b>6,407</b>	<b>Closing Capital Financing Requirement</b>		<b>63,141</b>
	<b>Explanation of movements in year</b>		
220	Increase in underlying need to borrow (supported by government financial assistance)	-	
3,416	Increase in underlying need to borrow (unsupported by government financial assistance)	57,733	
1,077	Assets acquired under finance leases	72	
(99)	MRP / Loans Fund Principal	(96)	
(475)	MRP - Lease Principal	(392)	
-	Reduction in lease liability re Leisure & Street Scene Vehicles	(583)	56,734
<b>4,139</b>	<b>Increase / (decrease) in Capital Financing Requirement</b>		<b>56,734</b>

In addition the Council acted as host for payments on behalf of the York and North Yorkshire PCT element of the Community Project (New Hospital) to the contractor. In 2011/12 £0.932m (2010/11 £9.727m) was paid on behalf of the PCT and this amount has been claimed from them and reimbursed. This project is now completed.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 33. Capital Expenditure and Financing continued.....

#### Revenue Expenditure Funded from Capital Under Statute

This is expenditure which is classified as capital but which 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 2011/12 the Council funded £0.433m (£0.721m 2010/11) of capital expenditure through this method, which related to the Heritage and Conservation Grants, Flood Defence, Disabled Facilities Grants and Home Improvement Grants and Loans.

In addition during 2011/12 the Secretary of State issued the Settlement Payments Determination 2012 which set out the final details of the settlement payments (or receipts) between central government and local authorities in preparation for the commencement of the self-financing of the Housing Revenue account (HRA) from 1 April 2012. Selby District Council was required to pay the sum of £57.733m on 29 March 2012.

The expenditure has to be accounted for as revenue as there is no increase in non-current assets associated with the payment i.e. there is no tangible asset purchased. However, under Section 170(6) of the Localism Act 2011 the scheduled payment is supported by powers to borrow and it therefore becomes revenue expenditure funded from capital under statute.

### 34. 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 fire at the Abbey Leisure Centre destroyed this gym equipment and it has therefore been written out of 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-11 £'000		31-Mar-12 £'000
2,463	Vehicles, Plant, Furniture & Equipment (Vehicles)	1,733
200	Vehicles, Plant, Furniture & Equipment (Equipment)	-
<b>2,663</b>		<b>1,733</b>

**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

**34. Leases continued .....**

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. The first table on this page is a new note and the figures from 2010/11 have been analysed to aid comparison

31-Mar-11 Restated £'000		31-Mar-12 £'000
	Finance lease liabilities (net present value of minimum lease payments):	
491	Current	353
2,163	Non-current	1,395
212	Finance costs payable in future years	199
<b>2,866</b>		<b>1,947</b>

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments Payments		Finance Lease Liabilities	
	31-Mar-11 £'000	31-Mar-12 £'000	31-Mar-11 £'000	31-Mar-12 £'000
Not Later Than One Year	547	392	491	353
Later than One Year and not later than five years	2,065	1,555	2,126	1,395
Later than Five years	254	-	37	-
	<b>2,866</b>	<b>1,947</b>	<b>2,654</b>	<b>1,748</b>

**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 2011/12 was £104,789 (2010/11 £97,536).

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

31-Mar 2011 £'000		31-Mar 2012 £'000
76	Not later than one year	105
203	Later than one year and not later than five years	113
-	Later than five years	-
<b>279</b>		<b>218</b>

**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

**34. Leases continued .....**

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

31-Mar-11 £'000		31-Mar-12 £'000
97	Minimum lease payments	105
-	Contingent rents	-
-	Sub leave payments (receivable)	-
<b>97</b>		<b>105</b>

The expenditure was charged to the following lines on the Comprehensive Income & Expenditure Statement:

31-Mar-11 £'000		31-Mar-12 £'000
18	Central Services to the Public	23
3	Environmental and Regulatory Services	4
76	Local Authority Housing (HRA)	78
<b>97</b>		<b>105</b>

**Authority as a Lessor**

**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 industrial units. These units are intended to be used as set-up premises for fledging businesses, and long-term tenants are not expected. The income received from these tenants during the year were £93k (£79k in 2010/11).

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

31-Mar 2011 £'000		31-Mar 2012 £'000
31	Not later than one year	31
134	Later than one year and not later than five years	103
-	Later than five years	-
<b>165</b>		<b>134</b>

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.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 35. 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 2011/12 the authority was committed to making payments of £351,588. The contract expires in 2035.

### 36. Impairment Losses

During 2011/12 the Council has recognised impairment losses of £1.171m (£56.973m in 2010/11) of which £0.601m (£7.966m in 2010/11) was offset against previous revaluation gains in the revaluation reserve and the balance of £0.570m (£49.007m in 2010/11) was charged to the appropriate service in the Comprehensive Income & Expenditure Statement.

Impairment Charges to CIE&S	2010/2011			2011/2012		Total
	Impairment Charges to Revaluation Reserve	Total		Impairment Charges to CIE&S	Impairment Charges to Revaluation Reserve	
£'000	£'000	£'000		£'000	£'000	£'000
48,827	7,693	56,520	Council Dwellings	(1,129)	601	(528)
177	253	430	Other Land & Buildings	1,510	-	1,510
-	-	-	Assets under Construction	7	-	7
3	20	23	Surplus Assets	7	-	7
-	-	-	Vehicles, Plant & Equipmt	16	-	16
-	-	-	Leased Vehicles & Equipmt	159	-	159
49,007	7,966	56,973		570	601	1,171

The major element in 2010/11 was the revaluation of Council Dwellings as a consequence of the change to the Social Value index from 47% to 31%. In 2011/12 the impairment charge relates to the revaluation of the Abbey Leisure Centre on a Depreciated Replacement Cost basis.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 37. Exit Packages

The Council terminated the contracts of a number of employees in 2011/12, incurring liabilities of £571k (£35k in 2010/2011). The number of exit packages and total cost per band are shown in the following table. These costs have arisen due to the Council's rationalisation of services. The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

Exit package cost band (including special payments)		Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band		
		2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	
£'000	£'000							£'000	£'000	
0	-	20,000	-	7	2	21	2	28	2	258
20,001	-	40,000	-	1	1	5	1	6	33	155
40,001	-	60,000	-	1	-	2	-	3	-	158
60,001	-	80,000	-	-	-	-	-	-	-	-
80,001	-	100,000	-	-	-	-	-	-	-	-
Total			-	9	3	28	3	37	35	571

**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

**38. Retirement Benefits**

**Participation in Pension Schemes**

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

The Council participates in the 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 Council 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:

2010/2011 £'000	North Yorkshire Pension Fund	2011/2012 £'000
	<b>Comprehensive Income and Expenditure Statement</b>	
	<i>Net Cost of Services:</i>	
971	current service cost	820
(2,954)	past service costs (gains)	-
132	settlement and curtailments	328
	<i>Financing and Investment Income and Expenditure:</i>	
2,881	interest cost	2,467
(1,728)	expected return on assets in the scheme	(1,719)
<b>(698)</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>1,896</b>
	<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	
(4,225)	actuarial (gains) and losses	2,965
<b>(4,923)</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>4,861</b>
	<b>Movement in Reserves Statement</b>	
698	reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	(1,896)
	<b>Actual Amount charged against the General Fund Balance for pensions in the year:</b>	
1,330	employers' contributions payable to the scheme	1,504



## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 38. Retirement Benefits continued .....

#### Transactions Relating to Retirement Benefits continued .....

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2011 is a loss of £2.965m (£4.225m gain in 2010/11) 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):

2010/2011 £'000		2011/2012 £'000
<b>(51,799)</b>	<b>Opening Balance at 1 April</b>	<b>(45,428)</b>
(971)	Current Service Cost	(820)
(2,881)	Interest Cost	(2,467)
(346)	Contributions by Scheme Participants	(308)
2,954	Past Service Costs	-
5,737	Actuarial (Gains) and Losses	(1,648)
(132)	Curtailments	(328)
2,010	Benefits Paid	2,259
<b>(45,428)</b>	<b>Closing Balance at 31 March</b>	<b>(48,740)</b>

Reconciliation of fair value of the scheme assets:

2010/2011 £'000		2011/2012 £'000
<b>27,050</b>	<b>Opening Balance at 1 April</b>	<b>26,932</b>
1,728	Expected Rate of Return	1,719
(1,512)	Actuarial Gains and (Losses)	(1,317)
1,330	Employer Contributions	1,504
346	Contribution by Scheme Participants	308
(2,010)	Benefits Paid	(2,259)
<b>26,932</b>	<b>Closing Balance at 31 March</b>	<b>26,887</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 £402k (£2.130m in 2010/11).

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 38. Retirement Benefits continued .....

#### Scheme History

	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000
Present Value of Liabilities	(44,568)	(37,505)	(51,799)	(45,428)	(48,740)
Fair Value of Assets	26,921	17,140	27,050	26,932	26,887
<b>Surplus / (Deficit) in the Scheme</b>	<b>(17,647)</b>	<b>(20,365)</b>	<b>(24,749)</b>	<b>(18,496)</b>	<b>(21,853)</b>

The liabilities show the underlying commitments that the Council has in the long-run to pay post employment (retirement) benefits. The total liability of £48.740m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £21.853m. 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 2013 are £1.245m.

#### 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.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 38. Retirement Benefits continued .....

#### Basis for Estimating Assets and Liabilities continued .....

The main assumptions used in their calculations have been:

At 31-Mar-11		At 31-Mar-12
	<i>Long-term expected rate of return on assets in the scheme</i>	
7.50%	Equity Investments	7.00%
4.40%	Government Bonds	3.10%
5.10%	Other Bonds	4.10%
0.50%	Cash / Liquidity	0.50%
7.50%	Other	7.00%
	<i>Longevity at 65 for current pensioners (in years):</i>	
22.1	Men	22.2
24.7	Women	24.8
	<i>Longevity at 65 for future pensioners (in years):</i>	
23.5	Men	23.6
26.3	Women	26.4
2.90%	Rate of CPI inflation	2.50%
4.65%	Rate of increase in salaries	4.25%
2.90%	Rate of increase in pensions	2.50%
5.50%	Rate for discounting scheme liabilities	4.90%
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-11 %		At 31-Mar-12 %
74.7%	Equity Investments	70.8%
8.9%	Government Bonds	20.2%
15.9%	Other Bonds	8.2%
0.5%	Cash/Liquidity	0.8%
0.0%	Other Assets	0.0%
<b>100.0%</b>		<b>100.0%</b>

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 38. Retirement Benefits continued .....

#### History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities as at 31 March 2012:

	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
Differences between the expected and actual return on assets	(14.4)	(66.0)	31.8	(5.6)	(4.9)
Experience gains and losses on liabilities	2.6	-	-	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.

### 39. 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 decisions:-

- (a) Hill Top Farm
- (b) Central Area Car Park, Tadcaster
- (c) Wetherby Road, Tadcaster
- (d) Hazelwood enforcement
- (e) Cleek Hall Public Enquiry
- (f) Examinations in public
- (h) Saxton Holme
- (j) Selby - Leeds Road Land

The estimated minimum costs associated with these potential liabilities is £820k should all the cases go against the Council.

4. The Council is facing the potential of three Employment Tribunals, one for constructive dismissal and two for unfair dismissal. There is a low risk to the Council but if successful there is no ceiling on the compensation. It is anticipated that the costs to the Council will be less than £45k.

5. 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.

6. A national legal challenge by APPS in respect of LLC1 element of the local land charges search function commenced in 2010/11 and is still ongoing. The Council has no estimate as yet on the impact that this will have.

7. Core Strategy - Indications suggest a Judicial Review may be issued against this due to changes in Government policy, but nothing has yet been formalised. It is not possible to forecast the outcome or to estimate costs at this point in time.

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

### **40. Contingent Assets**

As part of the Council's agreement with Tesco Stores Ltd for the purchase of the Portholme Road Civic Centre site Tesco's are required to pay £500k when they get their planning permission for the site.

The fire at the Abbey Leisure Centre at the end of February severely damaged the building and the facility is currently closed. The Council is currently in negotiation with its insurers Zurich Municipal in respect of the insurance claim. At this time the value of the claim cannot be quantified.

### **41. Nature and Extent of Risks Arising From Financial Instruments**

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

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

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 Council'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.

Certain customers for goods and services may be assessed if appropriate, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk at 31 March 2012 in relation to its investments in banks and building societies of £5.03m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2012 that this was likely to crystallise.

**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

**41. Nature and Extent of Risks Arising From Financial Instruments continued .....**

**Credit Risk continued...**

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 Mar 2012  £'000 (A)	Historical experience of default  % (B)	Historical experience adjusted for market at 31 Mar 2012  % (C)	Estimated maximum to default and uncollect- ability 31 Mar 2012 £'000 (A x C)	Estimated maximum exposure default and uncollect- ability 31 Mar 2011 £'000 (A x C)
Deposits with banks and financial institutions	19,192		0	0	0
Customers	2,330	1.77	0.53	12	78
				12	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 decrease in 30 days debtors from March 2011 is as a consequence of year on year movements of the indebtedness with the Non Domestic Rates Pool at the year end for estimated contributions and actual collection of rates to be paid to the pool. The past due amount can be analysed by age as follows:

	At 31-Mar-11 £'000	At 31-Mar-12 £'000
Less than 30 days	5,628	1,014
30 - 60 days	511	521
60 - 90 days	648	280
90 - 120 days	-	-
over 120 days	282	515
	7,069	2,330

**Liquidity Risk**

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to 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.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 41. Nature and Extent of Risks Arising From Financial Instruments continued .....

#### Liquidity Risk continued...

The maturity analysis of financial liabilities is as follows:

	At 31-Mar-11 £'000	At 31-Mar-12 £'000
Less than one year	2,010	4,504
Between one and two years	5	-
Between two and five years	3	-
More than five years	10,108	60,333
	12,126	64,837

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

#### Market Risk

#### Interest Rate 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.

The Council has generally been a net investor and as such its earnings from its deposits form a critical element of income for delivery of services. With interest rates at an all time low generating investment income has been particularly challenging and a mix of short term and longer term deposits have been made, to enable any increases in interest rates to be maximised.

With effect from 28 March 2012 the Council, as a consequence of the HRA Self Financing determination payment, has moved to being a net borrower. The new loans of £50.233m were taken at a fixed rate over different periods from 30 years to 50 years to take advantage of the historically low interest rates and to give flexibility for repayments and remove risk associated with variable rate loans when rates start to rise.

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.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated.

According to this assessment strategy, at 31 March 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 41. Nature and Extent of Risks Arising From Financial Instruments continued .....

	At 31-Mar-11 £'000	At 31-Mar-12 £'000
Increase in interest payable on variable rate borrowings	-	-
Increase in interest receivable on variable rate investments	262	253
Increase in government grant receivable for financing costs	-	-
Impact on Surplus of Deficit on the Provision of Services	262	253
Share of overall impact debited to the HRA	44	34
Decrease in fair value of fixed rate investment assets	55	117
Impact on Other Comprehensive Income & Expenditure	55	117
Decrease in fair value of fixed rate borrowings liabilities (no impact on Consolidated Income and Expenditure Statement)	1,046	8,243

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.

### 42. Central Services to the Public

This brings together those costs relating to services provided to the public by the Council. It includes council tax collection, council tax benefits, non-domestic rates collection and the costs of elections and maintaining the electoral roll. It also includes expenditure on miscellaneous grants made to voluntary organisations.

### 43. Cultural and Related Services

This service line contains the costs associated with 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.



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

### **44. Environmental and Regulatory Services**

This line includes the expenditure and income to the Council of its refuse collection and recycling service, its commercial waste function and the cleaning of the districts streets. It also includes the work of the Environmental health team in inspecting food premises, monitoring pollution and water sampling and health and safety, together with community safety through the provision of CCTV and the work of the Community Safety Partnership which is managed on behalf of the Council by the York Community Safety Partnership. The costs of pest control, the Council's statutory responsibility for closed burial grounds and public conveniences are also included within this heading. The reduction in net expenditure is due to reduction recycling costs of £410k and savings in staff costs following the restructure of the Council.

### **45. Planning Services**

Planning services includes the expenditure and income of the Council in the delivery of the Development Control and Planning Policy functions together with Building Control. In addition the Council has a number of industrial units through which it strives to encourage businesses to the district to promote economic growth. The costs to the Council of the districts five Community Engagement Forums are also included within this heading.

### **46. Highways and Transport Services**

The expenditure and income included within this heading relates to the Council's provision of off street car parking. Up until March 31 2011 the Council was responsible for the administration of the national concessionary travel scheme, this responsibility passed to North Yorkshire County Council (NYCC) from April 1 2011. From that date the Council provided assistance to NYCC for the scheme on an agency basis for residents of the district. The Council continued to provide Senior Citizen Rail Cards at a discounted price. This change accounts for the reduction in net expenditure.

### **47. 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. The change in net expenditure between years is due in the main to a reduction in the payment of housing subsidy to central government.

The exceptional item in 2010/11 reflected the impairment of council dwellings as a consequence of the change in valuation method. The exceptional item in 2011/12 is the payment to Central Government for the self financing determination settlement. The Housing Revenue Account and accompanying notes can be found in a separate section of this document.

### **48. Other Housing Services**

The expenditure contained within this heading refers to the strategic housing responsibilities of the Council and not its role as a landlord the costs and income for which are held within the HRA. This service area includes costs and income associated with the PFI scheme, homelessness, housing benefits, private sector housing grants, and the Council's strategic role as a housing enabler.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 49. Corporate and Democratic Core

This comprises of two divisions of service Democratic Representation and Management (DRM) and Corporate Management (CM). DRM includes all Members allowances and expenses and the costs associated with all member activities such as advice and servicing meetings of the Council, Executive and Committee Meetings. CM is the statutory management of the Council and includes the costs and activities of the infrastructure that allows services to be provided by the Council or another organisation, and the information that is required for public accountability. Bringing these costs together here excludes them from the total cost of any particular service, which accords with relevant accounting regulations.

### 50. Non Distributed Costs

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, and the cost of bringing assets under construction into the balance sheet at fair value. Pension costs charged during the year due to changes in value of the pension fund IAS19 pension costs are also included.

### 51. Interest Payable and Similar Charges

2010/2011 Charge £'000		2011/2012 Charge £'000
866	External Interest Charges - Borrowing	776
31	External Interest Charges - Leases	46
<b>897</b>	<b>Total Interest</b>	<b>822</b>

### 52. 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 2011/12 was £302k (2010/11 £342k). Interest earned continues to be low due to the continuation of historically low interest rates.

In addition the Council earns interest from mortgages issued previously under the tenants right to buy scheme £1k (2010/11 £2k) which is credited to the Housing Revenue Account and employee car loans £3k (2010/11 £4k) which is credited to the General Fund. These together with the balances interest gives an interest figure of £306k (2010/11 £348k).

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

### **53. 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 table below analyses the amount of Council Tax actually paid to the Council on a cash basis in the year adjusted for the accrual.

2010/2011 £'000		2011/2012 £'000
(6,080)	Council Tax Precept for Year (District & Parish)	(6,173)
-	(Surplus)/Deficit payable/repayable in year	(57)
(6,080)	Total Council Tax payable to Council in Year	(6,230)
(59)	Movement in Collection Fund Adjustment Account in year	(37)
<b>(6,139)</b>	<b>Council Tax Due to Council</b>	<b>(6,267)</b>

### **54. Capital Expenditure Financed from Revenue**

The capital programme can be financed from a variety of sources, one of which is revenue. In 2011/12 £593k of capital expenditure was funded from revenue (£1.529m in 2010/11). Of this £478k was funded from the Housing Revenue Account (£1.085m in 2010/11). Whilst capital expenditure of £10k was funded from General Fund balances (£36k in 2010/11) and £105k was financed using various General Fund reserves (£408k in 2010/11). Of this £10k related to expenditure on grants and assets not in the ownership of the Council referred to as Revenue Funding from Capital Under Statute (REFCUS) (£36k in 2010/11), the costs for which are contained within the net cost of services.

### **55. Building Control**

The Council is in a partnership with Ryedale, Hambleton and Richmondshire District Councils and Scarborough Borough Council to provide Building Control services on behalf of the five Councils. 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.

During 2011/12 Selby District Council has paid a management fee of £41,048 (£39,280 in 2010/11) to cover non-chargeable costs as part of the arrangement with the North Yorkshire Building Control Partnership. The balance on the Partnerships reserve is estimated at 31 March 2012 is £10,000 of which £2,000 belongs to Selby (31 March 2011 reserve of £18,514 with Selby's share being £3,703).

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 56. Information on Assets Held

31-Mar-11 (number)	Assets	31-Mar-12 (number)
	<b>Council Dwellings - HRA &amp; GF</b>	
532	Houses and Bungalows - 1 Bedroom	529
895	- 2 Bedroom	895
1,087	- 3 Bedroom	1,087
31	- 4 Bedroom	31
1	- 5 Bedroom	1
227	Flats, Bedsits and Maisonettes - 1 Bedroom	227
378	- 2 Bedroom	378
2	- 3 Bedroom	2
2	Multi Occupied Dwellings (Hostels)	2
<b>3,155</b>	<b>Total</b>	<b>3,152</b>
	<b>Car Parks, Parks and Open Spaces</b>	
13	Car Parks	13
21	Playgrounds	21
2	Sports Fields	2
<b>36</b>	<b>Total</b>	<b>36</b>
	<b>Vehicles, Plant and Equipment</b>	
	The major items are as follows:	
5	Environmental Health Vehicles & Plant	3
38	Leased Vehicles (Operated by Enterprise)	30
-	- Community Safety Vehicles	-
-	- Housing Maintenance Vehicles	-
5	Trailers	-
38	CCTV Cameras	38
<b>86</b>	<b>Total</b>	<b>71</b>
	<b>Operational Buildings</b>	
	The major items are as follows:	
1	Civic Centre	1
2	* Sports Centres	2
2	Depots	2
4	Public Conveniences	4
14	Community Centres	13
<b>23</b>	<b>Total</b>	<b>22</b>

The changes in 2011/12 relate to the disposal of two vehicles used by the Car Park and Dog Wardens, and the reduction in the number of vehicles leased and operated by the Council's streetscene contractor. Trailers formerly used on Selby Market have either been scrapped or given to Selby Town Council, who now operate the market service. \* Due to a very serious fire in February 2012, the Abbey Leisure Centre is no longer operational, and a decision on whether the centre is to be repaired to its former condition is yet to be made.

## 57. Cash Flow Statement Impact of Prior Period Restatement

Description	2010/2011 £'000	2010/2011 Adjustments £'000	2010/2011 Restatement £'000
<u>Operating Activities</u>			
<u>Cash Outflows</u>			
Employees	7977	-1571	6406
Payments to Suppliers	0	32103	32103
Housing Benefit	9056		9056
Precepts	1365		1365
Interest Paid	852		852
Payments to the Capital Receipts Pool	154		154
Other operating cash payments	33565	-30532	3033
<b>Cash Outflows from Operating Activities</b>	<b>52969</b>	<b>0</b>	<b>52969</b>
<u>Cash Inflows</u>			
Rents (after rebates)	-4244		-4244
Council Tax	-5569		-5569
Non-domestic rate pool	-5902		-5902
Revenue Support Grant	-857		-857
DWP grants for benefits	-18823		-18823
Other Government Grants	-1280		-1280
Interest received	-1149		-1149
Goods and services	-22524		-22524
<b>Cash Inflows from Operating Activities</b>	<b>-60348</b>		<b>-60348</b>
<b>Net Cash Flow from Operating Activities</b>	<b>-7379</b>	<b>0</b>	<b>-7379</b>
<u>Investing Activities</u>			
<u>Cash Outflows</u>			
Fixed assets	7736		7736
Other capital cash payments	584		584
Purchase of Short Term investments	0	25000	25000
<u>Cash Inflows</u>			
Sale of fixed assets	-202		-202
Capital grants received	-2771		-2771
Other capital cash receipts	-47		-47
Disposal of Investments	0	-29000	-29000
<b>Net Cash Flow from Investing Activities</b>	<b>5300</b>	<b>-4000</b>	<b>1300</b>
<b>Net Cash Flow Before Financing</b>	<b>-2079</b>	<b>-4000</b>	<b>-6079</b>
<u>Management of Liquid Resources</u>			0
Increase/(decrease) in short term investments	-2015	2015	0
Increase/(decrease) in other liquid resources	4807	-4807	0
<b>Net Cash Flow from Liquid Resources</b>	<b>2792</b>	<b>-2792</b>	<b>0</b>
<u>Financing</u>			
<u>Cash Outflows</u>			
Repayments of amounts borrowed	6013		6013
Repayments of Leases	475		475
Other Payments from Financing Activities	0	6792	6792
<u>Cash Inflows</u>			
New loans raised	0		0
New short term loans	-7000		-7000
Other Receipts from Financing Activities	0		
<b>Net Cash Flow from Financing</b>	<b>-512</b>	<b>6792</b>	<b>6280</b>
<b>Net (Increase) / Decrease in Cash</b>	<b>201</b>	<b>0</b>	<b>201</b>
Cash and Cash equivalents at the beginning of the reporting period	-418		-418
<b>Cash and Cash equivalents at the end of the reporting period</b>	<b>-217</b>	<b>0</b>	<b>-217</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.

2010/2011		2011/2012	Notes
£'000		£'000	
	<u>Expenditure</u>		
2,732	Repairs & Maintenance	2,551	
2,776	Supervision & Management	2,641	
36	Rents rates taxes and other charges	48	
4,043	Negative housing revenue account subsidy payable	3,325	1
1,844	Depreciation and Impairment of non-current assets	1,360	2
48,828	Exceptional Item - Impairment of Council Dwellings	-	2
13	Debt Management costs	40	
(6)	Movement in the allowance for bad debts	77	3
-	Exceptional Item - REFCUS re HRA Self-Financing	57,733	13
<b>60,266</b>	<b>Total Expenditure</b>	<b>67,775</b>	
	<u>Income</u>		
(9,766)	Dwelling rents	(10,485)	4
(110)	Non-dwelling rents	(111)	5
(1,126)	Charges for Services and Facilities	(461)	
(412)	Contributions towards expenditure	(361)	
<b>(11,414)</b>	<b>Total Income</b>	<b>(11,418)</b>	
<b>48,852</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income &amp; Expenditure Statement</b>	<b>56,357</b>	
196	HRA services share of Corporate & Democratic Core	191	
(678)	HRA Share of other amounts included in the whole authority Cost of Services but not allocated to specific services	18	
<b>48,370</b>	<b>Net (Income) / Cost for HRA Services</b>	<b>56,566</b>	
	HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(69)	(Gain) or loss on sale of HRA non-current assets	(11)	
2	Interest payable and similar charges	27	
(58)	Interest and investment income	(43)	
277	Pensions interest cost and expected return on pensions assets	181	
(50)	Capital grants and contributions receivable	(55)	
<b>48,472</b>	<b>(Surplus) / Deficit for the year on HRA services</b>	<b>56,665</b>	

**MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT**

2010/2011 £'000		2011/2012 £'000	Notes
(2,559)	<b>Balance on the HRA at the end of the previous year</b>	(1,671)	
48,472	(Surplus) / Deficit for year on the HRA Income and Expenditure Statement.	56,665	
(47,354)	Adjustments between accounting basis and funding under statute	(56,579)	
1,118	Net (Increase) / Decrease before transfers to or from reserves	86	
(230)	Transfers to / (from) reserves	(54)	
<b>888</b>	<b>(Increase) / Decrease in year on the HRA</b>	<b>32</b>	6
<b>(1,671)</b>	<b>Balance on the HRA at the end of the current year</b>	<b>(1,639)</b>	

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

2010/2011 £'000		2011/2012 £'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.	(4)	
(48,674)	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements.	-	
193	Gain or (loss) on sale of HRA non-current assets.	11	
1,085	Capital expenditure funded by the Housing Revenue Account	478	
448	HRA share of contributions to / (from) the Pensions Reserve	(35)	
(1,182)	Transfer to / (from) Major Repairs Reserve	871	7
-	Transfer to / (from) the Capital Adjustment Account	(57,900)	8
(27)	Amortisation of Intangible Assets	-	
-	HRA Self-Determination	(57,733)	
50	Release of Government Grant	-	
<b>(48,138)</b>	<b><u>Total Adjustments between accounting basis and funding under statute</u></b>	<b>(56,579)</b>	
	<u>Transfers to or (from) reserves</u>		
(590)	Transfer to / (from) Housing Special Projects Reserve	-	
1,121	Transfer to / (from) Housing Carry Forward Budget Reserve	(74)	
-	Transfer to / (from) ICT Reserve	20	
<b>531</b>	<b><u>Total Transfers to / (from) reserves</u></b>	<b>(54)</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. Subsidy payable to the government in 2011/12 is analysed below:

2010/2011 £'000		2011/2012 £'000
1,402	Allowance for Management	1,466
3,126	Allowance for Maintenance	3,125
816	Allowance for Major Repairs	2,000
416	Charges for Capital	431
-	Rent Rebates	-
-	Other Items of Reckonable Expenditure	-
<b>5,760</b>		<b>7,022</b>
(9,785)	Guideline Rent Income	(10,392)
(2)	Interest on Receipts	(2)
<b>(4,027)</b>		<b>(3,372)</b>
(16)	Prior Year Subsidy outstanding	26
-	HRA Self Financing Determination Settlement	21
<b>(4,043)</b>	<b>Negative Housing Subsidy Payable</b>	<b>(3,325)</b>

### 2. Depreciation & Impairments

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

2010/2011 £'000		2011/2012 £'000
1,758	Council Dwellings	1,130
240	Other Land and Buildings	212
<b>1,998</b>	<b>Total</b>	<b>1,342</b>

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

2010/2011 £'000		2011/2012 £'000
1,982	Operational	1,321
16	Non-operational	21
<b>1,998</b>	<b>Total</b>	<b>1,342</b>



## NOTES TO THE HOUSING REVENUE ACCOUNT

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

The following amounts were charged to the service revenue accounts for impairment:

2010/2011 £'000		2011/2012 £'000
48,828	Dwellings	-
(199)	Garages	-
10	Ousegate Hostel	3
27	Edgerton Lodge Hostel	4
8	Community Centres	11
-	Non-operational Land	-
-	Other Operational Buildings	-
<b>48,674</b>	<b>Total</b>	<b>18</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 fell from 47% to 31% with effect from 1 April 2011, the date the valuers use for the desktop review of council houses. This change 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 the potential impact of overpaid housing benefit. An increase of £46,819 was made during the year in respect of rent arrears in 2011/12 (a reduction of £6,750 in 2010/11) and £21,549 was allocated in respect of Housing Benefit overpayments (£14,943 in 2010/11). The total rent arrears provision at 31 March 2012 amounted to £92,000 (£50,000 2010/11). In addition, a further provision has been created for general non rent HRA debtors totalling £30,417 (£2,586 in 2010/11).

### 4. Income - Dwellings

This is the total rent income due for the year on the housing stock. The average 48 week rent was £70.15, an increase of £4.88 (7.5%) 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 £144k would be required from HRA reserves. The actual final year end position required a contribution of £32k from HRA reserves. The impact on the HRA reserve sees the balance reduce to £1.639m from £1.671m. The major variances within the HRA total £110k and these are explained in the Explanatory Foreword.

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 7. Major Repairs Reserve

The following is a statement of the movements in this reserve during the financial year 2011/12:

2010/2011 £'000		2011/2012 £'000
-	<b>Opening Balance</b>	-
(1,998)	Amount transferred to the reserve from the Capital Adjustment Account	(1,130)
1,182	Amount transferred to / (from) the reserve to the Housing Revenue Account: Tangible Assets	(871)
816	Debits to the reserve in respect of HRA capital expenditure on: - houses	1,130
-	<b>Closing Balance</b>	<b>(871)</b>

The movement on the Reserve can be analysed as follows:

2010/2011 £'000		2011/2012 £'000
-	<b>Opening Balance</b>	-
(816)	Add: Major Repairs Allowance Grant	(2,001)
816	Less: capital expenditure charged to the reserve	1,130
-	<b>Closing Balance</b>	<b>(871)</b>

### 8. Capital Adjustment Account

The following is a statement of the movements in the Capital Adjustment Account during the financial year 2011/12:

2010/2011 £'000		2011/2012 £'000
<b>11,409</b>	<b>Balance brought forward at 1 April 2011</b>	<b>60,153</b>
(1,085)	Capital expenditure finance by revenue	(478)
(816)	Major Repairs grant applied to capital investment in year	(1,130)
-	Non Dwelling Asset Depreciation	199
1,998	Transfer to Major Repairs Reserve re depreciation	1,130
48,674	Transfer from the Revaluation Reserve re impairments	8
27	Amortisation of non dwelling assets	8
(50)	Government Grant amortisation	(55)
-	REFCUS Expenditure - HRA Self-financing Determination	57,733
(4)	Other Movements	140
<b>60,153</b>	<b>Closing Balance</b>	<b>117,708</b>

## 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		01-Apr-11 £'000	31-Mar-12 £'000
583	548	Land	548	768
150,891	148,381	Council Dwellings	95,460	96,732
1,433	1,543	Other Buildings	1,543	1,373
<b>152,907</b>	<b>150,472</b>	<b>Total</b>	<b>97,551</b>	<b>98,873</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		01-Apr-11 £'000	31-Mar-12 £'000
		Operational		
150,891	148,381	Dwellings	95,460	96,732
1,769	1,839	Other Land & Buildings	1,839	1,889
247	252	Non-operational	252	252
<b>152,907</b>	<b>150,472</b>	<b>Total</b>	<b>97,551</b>	<b>98,873</b>

### Vacant Possession Value

The vacant possession value of the houses within the Housing Revenue Account as at 1 April 2011 was £312.226m (321.143m at April 2010). 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 £155,630 (£229,340 2010/11) were received by the Housing Revenue Account in 2011/12. The total can be broken down as follows:

2010/2011 £'000		2011/2012 £'000
	<b>Disposal of Assets:</b>	
186	Houses	148
26	Land	7
<b>212</b>		<b>155</b>
-	Principal Repaid on Housing Advances	-
17	Repayment of discount received on Right to Buy sales	-
<b>229</b>	<b>Total</b>	<b>155</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 11. Capital Expenditure

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

2010/2011 £'000		2011/2012 £'000
	<b>Capital expenditure</b>	
14	Vehicles, Plant & Equipment	-
-	Intangible Assets	-
-	Land and Infrastructure	-
2,974	Improvements to Council Dwellings	1,663
-	Revenue Expenditure Funded from Capital under Statute (REFCUS) - Housing Self-financing Determination	57,733
<b>2,988</b>	<b>Total</b>	<b>59,396</b>
	<b>Sources of finance</b>	
(1,036)	Prudential Borrowing	(57,733)
(1,086)	Revenue contributions	(478)
(816)	Major Repairs Reserve	(1,130)
(50)	Other Grants	(55)
<b>(2,988)</b>	<b>Total</b>	<b>(59,396)</b>

### 12. Rent Arrears

During the year 2011/12 rent arrears as a proportion of gross rent income have increased to 2.31% (£224,984) from 2.02% (£199,606) in 2010/11. The arrears figure includes Housing Benefit overpayments.

2010/2011 £'000		2011/2012 £'000
199	Rent Arrears at 31 March	245
3	Hostel Arrears	6
(175)	Rent Credits	(190)
(1)	Hostel Credits	(1)
<b>26</b>	<b>Total</b>	<b>60</b>

### 13. Revenue Expenditure Financed From Capital Under Statute (REFCUS)

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 Housing Revenue Account. during 2011/12 the Secretary of State determined that the sum due to be paid by Selby District Council as part of the HRA Self-Financing Determination Settlement, £57.733m, should be classified as capital for funding purposes.

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 14. Housing Stock

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

31-Mar-11 (number)			31-Mar-12 (number)
532	Houses and Bungalows	- 1 Bedroom	529
895		- 2 Bedroom	895
1,087		- 3 Bedroom	1,087
31		- 4 Bedroom	31
1		- 5 Bedroom	1
227	Flats, Bedsits and Maisonettes	- 1 Bedroom	227
378		- 2 Bedroom	378
2		- 3 Bedroom	2
2	Multi Occupied Dwellings (Hostels)		2
<b>3,155</b>	<b>Total</b>		<b>3,152</b>

The analysis of the dwellings at 31 March 2011 was the same on 1 April 2011.

### 15. 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.

2010/2011 £'000		2011/2012 £'000
	<b>HRA Income &amp; Expenditure Statement</b>	
233	Current Service Cost	59
(709)	Past Service Cost (Gains)	-
32	Settlements & Curtailments	79
<b>(444)</b>		<b>138</b>
692	Interest Cost	596
(415)	Expected Return on Assets in the Scheme	(415)
<b>277</b>		<b>181</b>
<b>(167)</b>	<b>Total charged to the HRA Income &amp; Expenditure Statement</b>	<b>319</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 16. Capital Asset Charges Accounting Adjustment

The Code of Practice requires an explanation of the capital assets accounting adjustment, calculated in accordance with the Item 8 Debit (General) Determination for the year.

2010/2011 £'000		2011/2012 £'000
-	Interest Payable on the HRA average Capital Financing Requirement (CFR) for the year at the Consolidated Rate of Interest (CRI) calculated in accordance with the determination	-
2	Street Scene Lease Interest	1
-	Interest Payable 28 March to 31 March 2012 on loans taken out to make the self-financing settlement payment to the Secretary of State	26
<b>2</b>	<b>Total</b>	<b>27</b>

In accordance with the calculation for the Capital Asset Charges Accounting Adjustment, interest is payable on the mid-year HRA capital financing requirement, except that where the CFR is negative, as in the case of Selby District Council where interest is receivable.

The costs of impairment are included as charges to the HRA Income and Expenditure Account. The effect of the capital asset charges accounting adjustment is that the impairment cost is reversed out of the HRA in the Movement on the HRA Statement as this not a cost to be borne by HRA Tenants. For 2011/12 the impairment charge is £17.9k.

## THE COLLECTION FUND

2010/2011 £'000		2011/2012 £'000	Notes
	<b>Income</b>		
(41,372)	Income from Council Tax (net of benefits and transitional relief)	(41,994)	2
(4,691)	Transfers from General Fund - Council Tax Benefit	(4,700)	
(27,300)	Income collectable from business ratepayers	(31,852)	3
<b>(73,363)</b>	<b>Total Income</b>	<b>(78,546)</b>	
	<b>Expenditure</b>		
45,372	Precepts and demands	45,868	4
26,598	Business rate - Payment to national pool	31,731	3
226	- Costs of collection	121	
894	Bad and doubtful debts - Write offs	86	5
(165)	- Movement in bad debts provision	39	
-	Contributions - Towards previous year's Collection Fund Surplus	425	
<b>72,925</b>	<b>Total Expenditure</b>	<b>78,270</b>	
<b>(438)</b>	<b>(Surplus) / Deficit for the year</b>	<b>(276)</b>	
	<b>COLLECTION FUND BALANCE</b>		
<b>(425)</b>	<b>Balance Brought Forward</b>	<b>(863)</b>	
(438)	(Surplus) / Deficit for the year	(276)	
<b>(863)</b>	<b>Balance Carried Forward</b>	<b>(1,139)</b>	7

## 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 each year 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	Council Tax Setting			Year-end Band D equivalent dwellings	Average Charge in year
	Estimated number of taxable Properties after effect of discounts	Ratio	Band D equivalent dwellings		
-A	21	5/9	12	13	850.03
A	7,097	6/9	4,731	4,794	1,020.03
B	6,621	7/9	5,150	5,228	1,190.04
C	6,734	8/9	5,986	6,107	1,360.04
D	4,923	1	4,923	4,983	1,530.05
E	3,823	11/9	4,673	4,761	1,870.06
F	2,170	13/9	3,134	3,145	2,210.07
G	826	15/9	1,377	1,391	2,550.08
H	48	18/9	96	96	3,060.10
<b>Total</b>	<b>32,263</b>		<b>30,082</b>	<b>30,518</b>	
Less adjustment for anticipated changes to the base and losses on collection			(104)		
<b>COUNCIL TAX BASE</b>			<b>29,978</b>		

The adjustment for anticipated changes include: successful appeals against valuation banding, new properties, demolitions, disabled persons relief and exempt properties, plus the impact of legislation on second homes and empty properties.

The basic amount of Council Tax for a Band D property (£1,530.05 for 2011/12) is multiplied by the relevant proportion specified above for the particular Band to give an individual amount due.

The total council tax income in the year, including the income from benefits, is equivalent to the average Band D charge for the year multiplied by the year-end tax base.



## NOTES TO THE COLLECTION FUND

### 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 2012 was £103.495m (£100.670m in 2010/11). The national non-domestic multiplier for the year was 43.3p (41.4p in 2010/11), with a reduction to 42.6p (40.7p in 2010/11) for small businesses. This gives a total sum collectible of £44.813m (£41.678m in 2010/11).

The amounts included in the Collection Fund account under these arrangements are shown below.

2010/2011 £'000		2011/2012 £'000
41,678	Rates payable for year	44,813
	Less:	
(1,795)	Exemptions & Allowances	(1,503)
(1,194)	Net Variations in Rateable Value Assessments	(674)
(1,678)	Mandatory & Discretionary Relief	(2,162)
(939)	Write-Offs, Provision for Bad Debts	(457)
(111)	Interest Paid	(8)
(9,363)	Transitional Adjustments	(8,278)
<b>26,598</b>		<b>31,731</b>

### 4. Precepts and Demands

2010/2011 £'000		2011/2012 £'000
31,380	North Yorkshire County Council	31,701
6,070	North Yorkshire Police Authority	6,132
1,843	North Yorkshire Fire & Rescue Authority	1,862
6,079	Selby District Council (including parishes)	6,173
<b>45,372</b>	<b>Total</b>	<b>45,868</b>

## NOTES TO THE COLLECTION FUND

### 5. 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. Provision is made for bad debts based on prior years' experience and current collection rates. The following table shows the movement in the year.

2010/2011 £'000		2011/2012 £'000
	<u>Council Tax</u>	
430	Write-offs during the year	86
(254)	Contributions to provisions during the year	(125)
<b>176</b>	<b>Net (increase)/decrease in provision in year</b>	<b>(39)</b>
(692)	Balance at 1 April	(516)
<b>(516)</b>	<b>Balance at 31 March</b>	<b>(555)</b>
	<u>National Non Domestic Rates</u>	
464	Write-offs during the year	131
(475)	Contributions to provisions during the year	(327)
<b>(11)</b>	<b>Net (increase)/decrease in provision in year</b>	<b>(196)</b>
(134)	Balance at 1 April	(145)
<b>(145)</b>	<b>Balance at 31 March</b>	<b>(341)</b>

The Council's proportion of these write-offs and bad debt provision are included within note 19 of the Core Financial Statements, and the movement analysis is shown below.

2010/2011 £'000		2011/2012 £'000
58	Write-offs during the year	12
(34)	Contributions to provisions during the year	(17)
<b>24</b>	<b>Net increase/decrease in provision in year</b>	<b>(5)</b>
(93)	Balance at 1 April	(69)
<b>(69)</b>	<b>Balance at 31 March</b>	<b>(74)</b>

## NOTES TO THE COLLECTION FUND

### 6. 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 that the Council is 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-11 £'000	Movement in 2011/2012 £'000	Balance at 31-Mar-12 £'000
Council Tax Debtors	1,983	369	2,352
Council Tax Prepayments	(861)	34	(827)
National Non Domestic Rates Debtors	704	697	1,401
National Non Domestic Rates Prepayments	(204)	(51)	(255)
<b>Net</b>	<b>1,622</b>	<b>1,049</b>	<b>2,671</b>

The Council's proportion of the Council Tax debtors and prepayments are included within note 19 of the Core Financial Statements and the movement analysis is shown below.

2010/2011 £'000		2011/2012 £'000
	<u>Council Tax Debtors</u>	
282	Balance at 1 April	262
(20)	Movement in year	56
<b>262</b>	<b>Balance at 31 March</b>	<b>318</b>
	<u>Council Tax Prepayment</u>	
(141)	Balance at 1 April	(116)
25	Movement in year	4
<b>(116)</b>	<b>Balance at 31 March</b>	<b>(112)</b>

### 7. Distribution of Year-end (Surplus)/Deficit

As set out in note 1 the year-end (surplus)/deficit is distributed to North Yorkshire County Council, the North Yorkshire Police Authority, the North Yorkshire Fire and Rescue Authority and Selby District Council. The allocation is set out in the table below.

2010/2011 £'000		2011/2012 £'000
(597)	North Yorkshire County Council	(788)
(115)	North Yorkshire Police Authority	(152)
(35)	North Yorkshire Fire & Rescue Authority	(46)
(116)	Selby District Council (including parishes)	(153)
<b>(863)</b>	<b>Total</b>	<b>(1,139)</b>

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## **Glossary of Terms**

### **Accounting Concepts**

The fundamental accounting principles that are applied to ensure that the Statement of Accounts 'present fairly' the financial performance and position of the Council.

### **Accounting Period**

The period of time covered by the accounts, normally a period of twelve months commencing on 1st April. The end of the accounting period is the balance sheet date, 31 March.

### **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, or specify the estimation basis for accruals where there is uncertainty over the amount.

### **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.

### **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 (experience gains and losses) or the actuarial 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.

### **Agency Services**

These are services that are performed by or for another Authority or public body, where the principal (the Authority responsible for the service) reimburses the agent (the Authority carrying out the work) for the costs

### **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 non-current assets and current assets.

### **Assets Under Construction**

This is the value of work on uncompleted non-current assets at the balance sheet date.

### **Audit**

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

## **Glossary of Terms**

### **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 is a statement of the recorded assets, liabilities and other balances of the Council at the end of the accounting period.

### **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 Charge**

A charge to service revenue accounts to reflect the cost of utilising non-current assets in the provision of services.

### **Capital Expenditure**

Expenditure on the acquisition of non-current 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 non-current asset.

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

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. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing (CERA), usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

### **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**

Money received from the sale of non-current assets, or other money received towards capital expenditure. A specified proportion of this may be used to finance new capital expenditure.

### **Cash Equivalents**

Current investments that are readily disposable by the Council without disrupting its business and are readily convertible to cash.

### **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.

## **Glossary of Terms**

### **Charging 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.

### **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 Account comply with IFRS and local government accounting regulations.

### **Collection Fund**

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

### **Comprehensive 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.

### **Consistency**

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

### **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 reliability.

### **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.

## **Glossary of Terms**

### **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 Credits**

Amounts due to the Council from the sale of non-current 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.

### **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 non-current 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 through, for example, changes in technology or demand for the goods and services provided by the asset.

### **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.



## **Glossary of Terms**

### **Exceptional Items**

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

### **Exchange Transactions**

These are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services or use of assets) to another entity in exchange.

### **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)**

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another. They refer to both financial assets and financial liabilities and includes both the straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones, such as derivatives and embedded derivatives. 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.

### **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).

### **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.

## **Glossary of Terms**

### **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. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a non-current asset's market value and evidence of obsolescence or physical damage to the asset.

### **Infrastructure Asset**

These are non-current 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 Non-Current 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.

### **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.

### **Minimum Revenue Provision (MRP)**

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.

### **Movement in Reserves**

A statement which shows the movement in the year on the different reserves held by the Council.

## **Glossary of Terms**

### **National Non-Domestic Rates (NNDR)**

An NNDR poundage is set annually by central government and collected by charging 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-Current 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.

### **Non-Exchange Transactions**

These are transactions that are not exchange transactions e.g. council tax. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

### **Non-Operational Assets**

These are non-current 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 non-current 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.

### **Precept**

The amount that a precepting authority requires from a charging authority to meet its expenditure requirements.

### **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 charging 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. They do not include normal recurring conditions or adjustments of accounting estimates made in prior years.

### **Provisions**

Amounts set aside in the accounts for future liabilities that are likely to be incurred, but which cannot accurately be quantified.

## **Glossary of Terms**

### **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 Finance Initiative (PFI)**

A Central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance. The PFI is supported by a number of incentives to encourage Authorities' participation.

### **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.

### **Revaluation Reserve**

This account contains surpluses and losses arising from the periodic valuation of fixed assets.

### **Revenue Account**

An account which records the Council's day to day expenditure and income on such items as salaries and wages, running costs of service provision and the financing of capital expenditure.

### **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.

## **Glossary of Terms**

### **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 S151 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. Further more section 25 of the Local Government Act 2003 requires the Section 151 Officer to comment on the robustness of the budget estimates and the adequacy of reserves. In Selby the Section 151 Officer is Karen Iveson, the Executive Director 151.

### **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.

### **Soft Loans**

Local authorities will sometimes make loans for policy reasons rather than as financial instruments and these loans may be interest free or at rates below prevailing market rates. Where this occurs these loans are referred to as soft loans.

### **Statement of Recommended Practice (SORP)**

This is the guidance issued by CIPFA to enable Authority's to ensure that the Accounts published comply with UK GAAP as it applies to local authority financial matters.

### **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.

### **Inventories**

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 Non-Current 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.

### **Temporary Borrowing/Investment**

Money borrowed or invested for an initial period of less than one year.

### **Unapportionable Central Overheads**

These are overheads from which no user benefits, and therefore they cannot be allocated to a service area.

### **Unsupported (Prudential) Borrowing**

This is borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.

### **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 2011/12 – 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 2011/12: 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:
- Increased disclosure within the Comprehensive Income and Expenditure Account through the separate analysis of Cultural, Environmental and Planning Services.

### 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:

## APPENDIX B

- 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	2010/11 £000's	2011/12 £000's	Variance £000's	Comment
(Surplus) / Deficit on Provision of Services	47,539	57,756	10,217	The majority of this variance is as a consequence of the HRA Self Financing Settlement payment which is explained below.
Other Comprehensive Income & Expenditure	3,361	1,890	(1,471)	Mainly the increase in the value of the council house stock £1.4m since April 2011.
Balance on Reserves at 31 March	105,015	45,369	(59,646)	This represents the reduction in the net wealth or value of the Council as a result of the HRA self financing settlement payment that the Council made in March of £57.733m which was paid for by £50.233m of borrowing and £7.5m of the Councils own resources. And the impairment (reduction in value) of the Abbey Leisure Centre as a consequence of the fire in February. £1.303m .



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 £66.656m).
- 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 £69.961m).
- Income received in respect of general government grants and local taxation (Bringing the overall net total on provision of Services to £57.756m).
- Surplus or deficit on revaluation of Non-Current Assets £1.890m. (Bringing the overall total of Comprehensive Income and Expenditure to £59.646).

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 2010/11 and 2011/12:

Description	2010/11 £000's	2010/11 £000's	Variance £000's	Comment
Exceptional Costs Impairment – Abbey Leisure Centre	0	1,303	1,303	Impairment in value of the Abbey Leisure Centre as a consequence of the fire in February.
Environmental and Regulatory Services	3,888	3,239	(649)	Movement is due mainly to savings from the recycling contract through increased recycling giving landfill tax credits and increased income from sale of recyclates £411k offset by increased costs in the refuse collection contract £111K. In addition there are savings from the restructure totalling £327k.
Planning Services	1,596	1,272	(324)	Restructure savings.
Highways and Transport Services	385	(270)	(655)	Impact of the transfer of responsibility for the national concessionary fares scheme to North Yorkshire County Council

**APPENDIX B**

				from April 2011.
Local Authority Housing (HRA)	(458)	(1,167)	(709)	See HRA paragraph 10 for explanation
Exceptional Costs EUV-SH Adjustment	48,828	0	(48,828)	Change in valuation indicator used for the HRA housing stock in 2010/11.
Exceptional Costs HRA Settlement Payment	0	57,733	57,733	The cost to the Council of the HRA self financing settlement payment to DCLG on 28 <sup>th</sup> March 2012 to come out of the housing subsidy system.
Exceptional Costs – Pension Inflation Change	(2,244)	0	2,244	One off change in 2010/11 to the inflation factor used for the pension fund from RPI to CPI.
(Gain)/Loss on disposal of Non-Current Assets	(65)	(802)	(737)	Excess of sale proceeds of the Civic Centre and a piece of land at Riccall over the value that these assets were held in the balance sheet.
Pensions Interest Cost and Expected Return in Pensions Assets	1,153	748	(405)	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	(5,902)	(4,012)	1,890	Changes to grant allocation.
Revenue Support Grant	(857)	(1,240)	(383)	Changes to grant allocation.
Non Service Related Government Grants	(96)	(564)	(468)	Previously area based grant which ceased in 2010/11. This category of grant is now new homes bonus grant £445k and council tax reduction grant £119k.
Revaluation Gains	(278)	(1,673)	(1,395)	See explanation on Movement in Reserves Statement.
Impairment Losses	7,864	601	(7,263)	Mainly the HRA revaluation losses in 2010/11.

## APPENDIX B

Actuarial (Gains)/ Losses on Pension Fund Assets & Liabilities	(4,225)	2,965	7,190	This is the year end actuarial valuation of the Council's share of the pension fund assets and liabilities
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5.3 Councillors will note that the Comprehensive Income and Expenditure of the Council has moved from a deficit of £50.900m at the end of 2010/11 to a deficit of £59.646m at the end of 2011/12 – 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 compared with 2010/11.

Description	2010/11 £000's	2011/12 £000's	Variance £000's	Comment
Property Plant & Equipment.	116,591	115,363	(1,228)	Net effect on the value of the Council's assets of in year acquisition and enhancement to assets £2.977m offset by depreciation and impairments (£3.839m) and the sale of Civic Centre, land at Riccall and other assets which were sold during the year £2.084m.
Long Term Investments	15	4,036	4,021	Movement in fixed term deposits which the Council has invested with banks and other local authorities for more than 364 days.
Short Term Investments & Loans	18,185	12,174	(6,011)	Movement on short term to long term investments and cash equivalents. Short term investments are those with a maturity date between 3 months up to 364 days from the 31 March 2012.
Short Term Debtors	6,955	2901	(4,054)	In 2010/11 the Council was owed £4.0m from the NDR

## APPENDIX B

				pool for overpaid funds during the year. In 2011/12 the Council owes the NDR pool for underpaid funds and this appears within the creditors balance.
Cash and Cash Equivalents	217	4,775	4,558	Increase in cash equivalents by £3.0m which are deposits due mature within 3 months of the 31 <sup>st</sup> March.
Short Term Borrowing	(2,704)	(5,064)	2,360	The Council had £4.5m of temporary borrowing at the end of 2011/12 to assist with cash flow. In 2010/11 this amount was £2.0m.
Short Term Creditors	(3,930)	(5,988)	2,058	The Council owed the NDR pool £2.5m at the year end in 2010/11 it was a debtor.
Long Term Borrowing	(10,081)	(60,299)	50,218	Increase in borrowing from PWLB £50.233m used to fund the HRA settlement.
Defined Benefit Pension Scheme	(18,496)	(21,853)	3,357	Changes in the year on year actuarial assumptions for the year end valuation of the assets and liabilities of the pension fund. Influenced by decreases in the value of the fund assets, current low levels of returns on investments, increased life expectancy of pensioners.
Finance Leases	(2,163)	(1,395)	(768)	Removal of vehicles from the street scene contract £427k, the impairment of the gym equipment at the Abbey Leisure Centre £159k, together with the 2011/12 lease charge and acquisition of new vehicles for the street scene contract.
General Fund	2,835	2,290	(545)	Budgeted use of General Fund unallocated reserve to support the 2011/12 budget.
Earmarked Reserves	7,865	8,877	1,012	Net increase in earmarked reserves during 2011/12 through planned

## APPENDIX B

				contributions and savings generated during the year.
Capital Receipts Reserve	94	505	412	The balance of capital receipts for use in future years programmes. The Council received £2.805m usable capital receipts and utilised £2.393m to finance the capital programme.
Revaluation Reserve	2,459	3,036	577	Net gains in increases in value of Council assets £1m offset by the writing out of gains held for the civic centre on its sale £440k
Pension Reserve	(18,496)	(21,853)	3,357	Changes in the year on year actuarial assumptions for the year end valuation of the assets and liabilities of the pension fund. Influenced by decreases in the value of the fund assets, current low levels of returns on investments, increased life expectancy of pensioners.
Capital Adjustment Account	108,242	49,629	(58,613)	£57.733m of costs are associated with the HRA self financing settlement payment.

### 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 2010/11.

Description	2010/11 £000's	2011/12 £000's	Variance £000's	Comment
Employees	6,406	6,890	484	This is the net impact of the restructure which included redundancy costs offset by savings within the reduced structure of the Council.

## APPENDIX B

Payments to Suppliers	32,103	19,152	(12,951)	Numerous variances make up the difference the more significant being £9.727m payments on behalf of the PCT for the Selby Community Project. Reduction in amounts paid to DCLG for NDR pool and housing subsidy £1.670m.
Housing Benefits	9,056	9,917	861	Reflects the increased demand for rent allowance housing benefits during the current economic climate.
Non-domestic rate pool	(5,902)	(4,012)	1,890	Changes to grant allocation.
Revenue Support Grant	(857)	(1,240)	(383)	Changes to grant allocation.
DWP grants for benefits	(18,823)	(20,780)	(1957)	Reflects the increased funding to the Council for payments of C Tax Benefits, Rent Allowances, and Rent Rebates due to increased demand for benefits during the current economic climate.
Other government grants	(1,280)	(1,888)	(608)	Changes to grant allocation associated mainly with the introduction of new homes bonus and council tax freeze grant £564k
Goods and services	(22,524)	(12,777)	9,747	Numerous variances make up the difference the most significant being £9.727m receipts from the PCT for the Selby Community Project.
Capital expenditure on fixed assets	7,736	4,103	(3,633)	Completion of the Selby Community Project
Other capital cash payments	584	15	569	2010/11 payments included capital grants funded within the revenue account now classed as Other Payments. 2011/12 payments relate to capital loans within the private sector home improvement programme. The equivalent figure for

## APPENDIX B

				2010/11 was £118k.
HRA Self Financing Settlement	0	57,733	57,733	See explanation on Comprehensive Income and Expenditure Statement
Purchase of Short term investments	25,000	26,500	1,500	Increase in deposits placed with banks and local authorities which earn interest income for the Council.
Sale of fixed assets	(202)	(2,893)	2,691	Sale of Civic Centre and Land at Riccall
Capital grants received	(2,771)	(2,076)	695	Changes in the capital programme.
Disposal of Investments	29,000	28,500	(1,500)	Reduction in deposits maturing during the year.
Repayments of Amounts Borrowed	6,013	2,018	(3,995)	Repayment of temporary borrowing in 2011/12 taken in 2010/11. In addition £1.0m PWLB loan matured in 2010/11 and was repaid.
Other payments from financing activities	6,792	2,634	(4,158)	Net impact of payments made and received by the Council as an agent for the collection fund and to precepting bodies and the NDR pool. In addition the Council had a debtor of £4m in respect of the NDR pool in 2010/11 for which the cash was received in 2011/12 and holds a creditor of £2.0m in 2011/12.
New loans raised	0	(50,215)	(50,215)	PWLB Loans for the HRA self financing settlement
New Short Term Loans	(7,000)	(4,500)	2,500	Temporary borrowing required for cash flow purposes.
Cash and cash equivalents	(217)	(4,775)	(4,558)	Movement consists of Investments with less than 3 months to £3m and increased cash available in the bank at the year end.

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.

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 2010/11:

Income & Expenditure Account

Description	2010/11 £000's	2011/12 £000's	Variance £000's	Comment
Negative Housing Revenue Account subsidy payable	4,043	3,325	(718)	Impact of the early receipt of 2010/11 1.2m major repairs allowance grant in 2009/10 resulting in higher subsidy payments. Offset by higher than average increase in management and maintenance allowances for the housing stock in Yorkshire and Humber



**APPENDIX B**

				Region of 4.5%.
Depreciation & Impairment of Non – Current Assets	1,844	1,360	(484)	Impact of lower property values on depreciation charges.
Impairment of Council Dwellings	48,828	0	(48,828)	Change in Index used for valuing Council dwellings reflecting the Decrease in property value implemented in 2010/11.
REFCUS – HRA Self Financing Settlement Payment	0	57,733	57,733	The cost to the Council of the HRA self financing settlement payment to DCLG on 28 <sup>th</sup> March 2012 to come out of the housing subsidy system.
Dwelling Rents	9,766	10,485	719	Increase in rents due from tenants by an average of 7.9% due to the high Retail Price Index level in September 2010 which influences the calculation.
Charges for Services & Facilities	1,126	461	(665)	Impact of the restructure of the Council – costs rechargeable to the General Fund from the HRA for corporate work such as General Fund assets now held as direct costs within the General Fund, and reduced recharges to the General Fund for Supporting People.
HRA share of other amounts included in the Whole Authority Cost of Service but not allocated to specific services	(678)	18	696	Net effect of actuarial gains (increases in fund value) and / or curtailments (early retirement pension costs) of the HRA share of the pension fund assets / liabilities. In 2010/11 a large net gain arose due to the change in inflation factor from RPI to CPI.

## APPENDIX B

### Note to the Movement on the HRA Statement

Description	2010/11 £000's	2011/12 £000's	Variance £000's	Comment
Difference between any other item of income & expenditure determined in accordance with statutory HRA requirements	(48,674)	0	48,674	Mainly caused by the change in Index used for valuing Council dwellings reflecting the Decrease in property value implemented in 2010/11.
Capital expenditure funded by the Housing Revenue Account	1,085	478	(607)	Slippage in the HRA capital programme to 2012/13.
HRA share of contributions to / (from) the Pensions Reserve	448	(35)	(483)	Impact of the HRA share of the actual pension fund costs against the actuarial valuation assumptions required to be included within the accounts.
Transfer to / (from) major repairs reserve	(1,182)	871	2,053	Net transfer of major repairs grant to the reserve. In 2010/11 the council received a reduced amount of grant having taken part of that years allocation in 2009/10 to pay for Decent Homes.
Transfer to / (from) capital adjustment account	0	(57,900)	(57,900)	Transfer of the transactions associated with the self financing settlement payment to the balance sheet.
Transfer to / (from) HRA Special Projects Reserve	(590)	0	590	Use of the balance of the HRA special projects reserve to fund part of the Decent Homes programme which was completed in 2010/11.
Transfer to / (from) Housing Carry Forward Budget Reserve	1,121	(74)	1,195	Movement in authorised carry forwards between years. 2010/11 included an allowance for the works to the Airey properties which was not spent in 2011/12 due to slippage in the capital programme.

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	2010/11 £000's	2011/12 £000's	Variance £000's	Comment
Income from Council Tax	(41,372)	(41,994)	(622)	Increase in the tax base
Income collectable from business ratepayers	(27,300)	(31,852)	(4,552)	Increase in the rateable value of businesses within the district and the increase in the rate multiplier by 4.6%
Precepts and demands	45,372	45,868	496	Increase in CTax paid to precepting bodies as a result of the tax base increase.
Business Rates - Payment to National Pool	26,598	31,731	5,133	Increase in the amount payable to the pool as a consequence of the increase in business rates.
Bad and doubtful debts	729	125	(604)	Decrease in the contribution required to cover doubtful debts.
Contribution towards previous year's Collection Fund Surplus	-	425	425	No contributions paid to precepting bodies 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 2011 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 £545k deficit on the General Fund for the 2011/12 financial year, which was to be transferred from Balances (see page 6 of the Explanatory Foreword). The actual position for the year shows a deficit of £545k. In addition savings of £818k enabled contributions to the Spend to Save Reserve £152k, Contingency £403k and Access Selby Reserve £263k to be made. The reasons for variances against various budgets are set out in the Explanatory Foreword but mainly relate to Housing Benefits, Staff Costs and Concessionary Fares.
- 14.2 The Housing Revenue Account (HRA) required £32k from its balances to support its budget which was in line with forecast. The HRA Self Financing Settlement payment of £57.733m which the Council made to the DCLG on 28 March was an important milestone for the Council. The payment bought the Council out of the Housing Subsidy System which now means that the Council as with all other Housing Authorities now has control over its HRA finances.
- 14.3 Capital expenditure for the General Fund and HRA totalled £4.401m against a budget of £6.641m, giving a variance of £313k on the General Fund and £1.927m on the HRA. The majority of the slippage within the HRA £1.009m related to works required on the Council's Airey properties which has now commenced. Work on these projects has been carried forward to 2011/12 when they will be completed.
- 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 2012 compared with the previous financial year.

Description	As at 31 March 2011	As at 31 March 2012	Movement	Comment
Number of Council dwellings	3155	3,152	(3)	The economic climate is reflected in the low number of council dwellings sold.
Long Term Investments	15	4,036	4,021	This reflects the investment of funds for more than one year to try and mitigate the impact of low interest rates on the Council's short term investments and obtain certainty of returns over a longer period of time.
Short Term Investments	18,185	12,174	(6,011)	Reflects the move from short-term investments to

**APPENDIX B**

				long term investments, together with the requirement that investments due to mature within 3 months are now included within cash and cash equivalents
Short Term Debtors	6,955	2901	(4,054)	Reflects the movement from debtor to creditor of the contribution the Council is required to make to / reclaim from the NDR Pool.
Short Term Borrowing	2,704	5,124	2,420	This represents the change in short-term borrowing required for cash flow purposes at the year end, which is used for treasury management purposes.
Short Term Creditors	3,930	5,125	1,195	Reflects the movement from debtor to creditor of the contribution the Council is required to make to / reclaim from the NDR Pool.
Long Term Borrowing	(10,081)	(60,299)	50,218	This increase is the loans taken from the PWLB to fund the HRA self financing settlement payment.
Liability related to Defined Benefit Pension Schemes £000's	(18,496)	(21,853)	(3,357)	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 12.
General Fund Balance	2,835	2,290	(545)	Budgeted contribution from General Fund Balances.
Earmarked Reserves	7,865	8,877	1,012	Increase in reserves as a consequence of £818k

## APPENDIX B

				savings within the General Fund and the New Homes Bonus £444k.
Major Repairs Reserve £000's	-	871	871	Contribution to the reserve due to slippage in the HRA capital programme. These funds will be used in 2012/13
Total Net Worth £000's	105,015	45,369	(59,646)	The borrowing required for the HRA Self Financing Settlement of £57.733m accounts for the majority of the reduction in Net Worth. The balance is as a result of the sale of the Civic Centre, a piece of land in Riccall and the reduction in value of the Abbey Leisure Centre following its fire in February.



**Report Reference Number: A/12/7**

**Agenda Item No: 6**

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**To:** Audit Committee  
**Date:** 26 September 2012  
**Author:** John Barnett; Audit Manager; VNY  
**Lead Officer:** Karen Iveson; Executive Director (s151 Officer)

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**Title:** Annual Governance Statement 2011/2012

**Summary:** The report presents the Annual Governance Statement (AGS) 2011/12 for approval.

**Recommendations:**

**It is recommended that the AGS for 2011/12 be approved.**

**Reasons for recommendation:**

The AGS has been completed in accordance with good practice, and identifies a number of 'significant issues' that members may wish to consider.

It must be approved by the Audit Committee 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 of 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 requirements 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".

**2. The Report**

2.1 The Cipfa/SOLACE Framework defines 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 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 statement. Furthermore where they do not, to explain why and how the Council’s arrangements deliver the same impact.
- 2.3 At Selby there is full compliance as the Executive Director (S151 officer) is a member of the Strategic Management Team.
- 2.4 The External Auditor will be considering the AGS as part of his review of the Statement of Financial Accounts. The Auditor is required to issue his opinion on the accounts and “sign them off”.
- 2.5 The AGS provides 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 out 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 for which it is viewed.
- 2.6 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.
- 2.7 Assurance can be provided by evidence from a number of sources including: inspection records, 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.  
**The AGS is attached at Appendix A.**

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

#### **3.1. Legal Issues**



(a.) None.

3.2. Financial Issues

(a.) None.

**4. Conclusion**

4.1. The Statement represents progress towards setting the highest Corporate Governance standards and 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 Financial Advisory Network – AGS @ Rough Guide' for practitioners.  
Cipfa/SOLACE Application Note to Delivering Good Governance in Local Government: a Framework.***

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**Appendices: - Annual Governance Statement 2011/12**



**Annual Governance Statement  
2011/12**

# 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 John Barnett	<b>Title:</b> Executive Director (s151) Audit Manager; North Yorkshire Audit Partnership/VNY
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<b>Version:</b> 4.0	<b>Release Date:</b> 11/06/2012
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### Change History

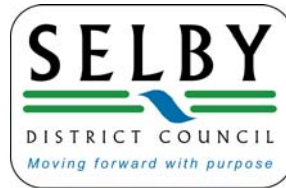
Date	Version	Change Detail
30/5/12	1.0	1 <sup>st</sup> Draft for consultation with S151 Officer
31/5/12	2.0	2nd Draft for consultation with S151 Officer
8/6/12	3.0	3rd Draft for consultation with S151 Officer
11/6/12	4.0	4 <sup>th</sup> Draft issued to members of CMT for approval

### Approval Tree – Version 4.0

Role	Name	Title	Initials	Date
Approved for Release	Karen Iveson	Executive Director (s151)	KI	11/6/12
Approved	Martin Connor	Chief Executive		11/6/12

### Distribution List – Version 4.0

Name	Title	Date
Karen Iveson	Executive Director (s151)	11/6/12
Martin Connor	Chief Executive	11/6/12



## **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.

## 3. Selby District Council's Governance Framework ~ from July 2011

### 3.1 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 2012-15 and sets out '5 Big Things' that the Council will work on over the next 3 years, which have been identified and developed in consultation with the public and key partners.
- 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 (CEFs) and is working with them in the development of locally based service delivery options using separate and limited funds.
- 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

## Appendix A

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. In compliance with CIPFA's "Statement on the Role of the Chief Financial Officer in Local Government", Selby is in full compliance as 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 Access Selby Board and the Executive;
  - Embedded arrangements for securing efficiencies and continuous improvement;
  - Production annually of a Statement of Accounts compliant with the requirements of local authority accounting practice.

## Appendix A

- 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;
  - A Service Level Agreement between the Core and Access Selby, which identifies key performance measures and targets for the year;
  - 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 (Performance Contracts) links personal objectives directly to Service Plans;
  - Regular reports on the performance of key indicators, which are presented to Access Selby Management Group, Access Selby Board and the Executive;
  - The use of Performance Clinics within Access Selby to focus on performance management;
  - The production of an Annual Report, providing commentary and data on the previous year's performance.

The Council maintains a professional relationship with the Audit Commission, the body responsible for the external audit of the Council.

- Recruitment and selection procedures are based on recognised good practice and all staff posts have a formal job description and competency based 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 keep the corporate risk management arrangements under review;
  - periodic review of risks in-year with reports to the Audit Committee and the Strategic Management Team;
  - the Audit Committee also approve and review 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. During the year April 2011 to March 2012 the Council's internal audit service was provided by the North Yorkshire Audit Partnership (NYAP). From 1<sup>st</sup> April 2012, NYAP was dissolved and responsibility for the provision of the internal audit service transferred to Veritau North Yorkshire Ltd. (VNY), which is part of the Veritau group. 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.

## 4. Review of Effectiveness

4.1 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.

4.2 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.

4.3 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 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 met throughout the year and received reports on the progress by Internal Audit against their work plan. The Committee also considered auditable areas where Internal Audit raised significant internal control concerns.
- The Executive Director (s151) supports the Audit Committee and attends all meetings of the Committee.
- 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:-

*"The overall opinion of the Head of Internal Audit on the controls operated in Selby District Council is that they were of a **satisfactory standard**. There are no qualifications to that opinion. No reliance was placed on the work of other assurance bodies in reaching this opinion. There are no significant control related issues which, in the opinion of the Head of Internal Audit*

# Appendix A

*need to be considered for inclusion in the Annual Governance Statement”.*

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 2012/13.

- Although a formal review of Internal Audit by the Audit Commission is only undertaken triennially, 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. No material areas of concern were noted. The 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. Reports on risk management have been considered by the Corporate Management Team, and the Audit Committee. The Audit Committee has approved a revised Risk Management Strategy. Access Selby’s Strategic Risk Register has been developed and maintained and reported to the Access Selby Board.
- 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 to the Council highlighted highlighted that *“the Council faces significant financial pressures as a result of reduced government funding and resources will be severely constrained over the next few years. The Council recognised the impact of this at an early stage and has proactive in its approach to delivering savings. Over the past 12 months this has involved the implementation of a number of significant changes to its constitutional, management and service delivery arrangements”.*
- The 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 Audit Commission did not identify any significant weaknesses in your internal control arrangements.

## 5. Significant Governance issues

- 5.1 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

## Appendix A

the Council's Governance Framework and Internal Control arrangements, three 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 2012/13 financial year.

## Appendix A

Year	Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
2011/12	The Council needs to improve the quality and robustness of its contract documentation especially where services are provided, or are to be provided through any form of joint working, whether public or private sector.	Recent internal audit work has highlighted some concerns in this area. Furthermore as joint working extends the council must be able to monitor and manage those arrangements effectively.	To be included with the work of the Lead Officer- Legal	Lead Officer- Legal 30 <sup>th</sup> September 2012	Audit work in 2011/12 has re-affirmed that there remain some concerns in this area. Work will be scheduled in the 2012/13 audit plan.
2011/12	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	The Lead Officer - Finance will ensure that reconciliations are maintained up-to-date.	The Lead Officer - Finance and Access Selby Directors  30 <sup>th</sup> September 2012	April/May 2012 ~ ~ The Lead Officer - Finance tasked to schedule these and bring them up to date.
2011/12	There is a lack of capacity and expertise in financial administration within Business Support.	Internal Audit Reports, Internal transformation	Roles being reviewed, some additional capacity recruited and training being provided although more is needed.	Business Manager(s)  30 <sup>th</sup> September	April 2012 ~ Business Manager(s) to review and provide the necessary training.

## Appendix A

Year	Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
		projects		2012	

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**Martin Connor**  
Chief Executive

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**Councillor Mark Crane**  
Leader of the Council

# Annual governance report

Selby District Council

Audit 2011/12



# Contents

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<b>Key messages .....</b>	<b>3</b>
<b>Before I give my opinion and conclusion .....</b>	<b>4</b>
<b>Financial statements .....</b>	<b>5</b>
<b>Value for money .....</b>	<b>9</b>
<b>Fees .....</b>	<b>11</b>
<b>Appendix 1 – Draft independent auditor’s report .....</b>	<b>12</b>
<b>Appendix 2 – Corrected errors .....</b>	<b>15</b>
<b>Appendix 3 – Draft letter of management representation .....</b>	<b>19</b>
<b>Appendix 4 – Glossary .....</b>	<b>22</b>

# Key messages

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**This report summarises the findings from the 2011/12 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.**

## Financial statements

This report was written on 5 September 2012. At the time of writing, the audit is substantially complete. During the audit, the Executive Director (s151) has made some changes to the draft accounts and the main ones are referred to later. None of these has a significant affect on the Council's financial position. Subject to completion of the outstanding work, I expect to issue an unqualified audit opinion on the 2011/12 financial statements shortly after the Audit Committee on 26 September 2012.

## Value for money (VFM)

Unless any new information arises before the date of the Audit Committee, I also expect to conclude that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources. The Council continues to make good progress to the way it operates and has achieved significant savings over the last year. The Council continues to face significant financial challenges from reduced government funding and limited funding it has available from other sources. Despite this, the Council has a history of managing through difficult times and I propose to give you a clear VFM opinion.

## Whole of Government Account (WGA)

At the time of writing this report, I have not yet completed my work on your WGA return. However, I will give the Audit Committee a verbal update at the meeting on 26 September.

## Certificate

I also expect to be able to issue my certificate on the conclusion of the 2011/12 audit, at or around 26 September 2012.



# Before I give my opinion and conclusion

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**My report includes only matters of governance interest that have come to my attention in performing my audit. I have not designed my audit 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. The Audit Commission's Audit Practice has not undertaken any non-audit work for the Council during 2011/12.

## **Before I complete the audit, I ask the Audit Committee to:**

- take note of the adjustments that have already been made to the financial statements included in this report (set out in appendix 2);
- approve the letter of representation (appendix 3), on behalf of the Authority before I issue my opinion and conclusion.

# Financial statements

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**The Authority's financial statements and annual governance statement are important means by which the Authority accounts for its stewardship of public funds. As elected 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.**

## **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 audit report.

## **Uncorrected errors**

There were no the errors identified during the audit, which management has declined to amend.

## **Corrected errors**

Appendix 2 lists the material adjustments to the draft financial statements that the Executive Director (s151) has already made. The Audit Committee needs only to note these items, unless it chooses to change the Executive Director (s151)'s decisions. During the course of the audit I have agreed a number of other changes to the draft Statement of Accounts that relate to the disclosure of items and/or that are not material in value.

## **Significant risks and my findings**

I noted in my 2011/12 Audit Plan the significant risks that I identified relevant to my audit of your financial statements. In Table 1 I report to you my findings against each of these risks.

Table 1: **Risks and findings**

Risk	Finding
<p><b>Housing Revenue Account reform</b></p> <p>Under the reform of HRA finance, the Council was required to pay CLG some £57.7m in a one off payment in March 2012. This was financed by long term borrowing from the PWLB at reduced interest rates.</p>	<p>I evaluated management’s oversight of the HRA reforms and the transactions required by the Authority. I have agreed the detail on the settlement payment to the DCLG notification.</p> <p>My testing has not identified any significant issues to bring to your attention.</p>
<p><b>Valuation of property, plant and equipment (PPE) – new Civic Centre</b></p> <p>The Council is required to value PPE at fair value (with some exceptions). There is a risk that the valuation reported in the financial statements will be materially misstated due to the possibility that the value of the new Civic Centre and/or the disposal value of the old Civic Centre may not have been correctly accounted for.</p>	<p>The new Civic Centre has not been valued at fair value within the accounts, rather at depreciated replacement cost (DRC). This gives a valuation for the building that is greater than it would have been at fair value. The different approach has been used as in the professional opinion of the valuer the building is ‘specialised’ in nature due to its size, location and shared services with the hospital. If a building is considered to be ‘specialised’ it is permissible for it to be accounted for on the basis of DRC under the accounting code. Having discussed the issues with the Council’s valuer and taken advice from the Audit Commission’s consulting valuer, I have decided the Council’s approach is not unreasonable. I have asked for specific representation from you in the Letter of Representation in relation to this item.</p>
<p><b>IAS 19 and Pensions</b></p> <p>The Council must include pension assets at fair value using the revaluation method as described in IAS 19. Pension assets can be subject to significant volatility and require annual valuations. The disclosures in the financial statements involve the use of the scheme Actuary, as the Council’s expert, and include significant estimates.</p>	<p>I evaluated the management controls you have in place to assess the reasonableness of the figures provided by the Actuary.</p> <p>I assessed the controls over the estimation uncertainties.</p> <p>I have agreed the pension figures from the Actuary’s report to the financial statements and checked that the narrative disclosures are consistent with requirements.</p> <p>To-date my audit has not identified any material errors.</p> <p>However, I am unable to conclude my work in this area until I have received and evaluated the expected assurance from the auditor of North Yorkshire Pension Fund (Deloitte) in line with the Audit Commission’s IAS 19 Protocol.</p>

## Risk

### Management Bias

In any organisation, management may be in a position to override the financial controls it has put in place. This does not imply that I suspect actual or intended manipulation but that I approach the audit with professional scepticism.

## Finding

I evaluated the design and implementation of controls to mitigate the risk of manipulation and performed procedures to satisfy myself that, taking account of materiality, no manipulation has occurred. In particular, I tested:

- material year end adjustment journals;
- recognition of income and expenditure;
- the reasonableness of estimations and liabilities; and
- the basis for capitalising expenditure.

My audit has not identified any issues that I wish to bring to your attention.

## Significant weaknesses in internal control

This weakness is only one that I identified during the course of the audit that is relevant to preparing the financial statements. I am not expressing an opinion on the overall effectiveness of internal control.

In my 2010/11 report I noted my concerns about the delays that were occurring in the completion of bank and control account reconciliations. When I undertook this year's audit of the financial systems I found that delays were still occurring. I also identified that the authorised signatory list for approving invoices was out of date and that the Human Resources team did not have an approved signatory list to enable them to check that payroll documentation had been signed by an approved officer. I issued a report to management during the course of the year raising these concerns and the Executive Director (s151) has agreed an action plan to address them.

## Other matters

I am required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Authority's financial reporting process including the following.

### Qualitative aspects of your accounting practices

The information reported in Note 25 (segmental reporting) does not comply with the requirements of the Code. The Code requires the information to be disclosed on the basis of the information as reported to management whereas the Council has provided the information on the same basis as it provides budget reports.

### Instructions to the valuer

The instructions to the Valuer were contained in a series of e-mails between the Capital Accountant and Valuer rather than within a formal document. There is also contained little detail about the services required, timescales and assumptions.

#### Recommendation

**R1** The instructions to the Valuer should be in the form of a formal written document and should contain details of the services required, timescales and assumptions.

### 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. This letter of representation will be provided to you. This should be properly considered and signed before the Audit Committee meeting on 26 September 2012.

### WGA

At the time of writing this report, I have not yet completed my work on your WGA return. However, I will give the Audit Committee a verbal update at the meeting on 26 September.

# Value for money

**I am required to conclude whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is the value for money conclusion.**

I assess your arrangements against the two criteria specified by the Commission. In my Audit Plan, I reported to you that I was not aware of any significant risks that were relevant to my conclusion. I have set out below my conclusion on the two criteria and I intend to issue an unqualified conclusion stating that the Authority has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. I include my draft conclusion in Appendix 1.

**Table 3: Value for money conclusion criteria and my findings**

Criteria	Risk	Findings
<p><b>1. Financial resilience</b></p> <p>The organisation has proper arrangements in place to secure financial resilience.</p>	<p>No significant risks were identified in planning the audit.</p>	<p>From the work undertaken during the audit I have not identified any significant weaknesses in the Council's arrangements. The Council has been successful in achieving savings of £1.806m towards its target of £3.425m through the creation of Access Selby and its work with the voluntary sector. Officers expect a further £1m annual reduction in the funding the Council receives from central government which will increase the pressure on the Council's finances. To date, there are no specific matters I wish to report to you</p>
<p><b>2. Securing economy efficiency and effectiveness</b></p> <p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p>	<p>No significant risks were identified in planning the audit.</p>	<p>The Council is emerging from a period of change in its approach to service provision and is seeking to achieve this at a time of reduced resources. Its success in achieving this will be dependent on future events. The loss of Abbey Leisure Centre provided an unexpected and significant short term challenge, which the Council dealt with effectively. There remains, of course, the longer term challenge of the redevelopment of the Centre.</p> <p>The bringing into being 'Access Selby' during the year without any detriment to service</p>

Criteria	Risk	Findings
		<p>provision is another success achieved by the Council. To do this and make the savings that have been achieved is creditable. Looking to the future, the full delivery of the 'Access Selby' project is still to be attained and the current economic situation means that this will be a significant challenge for the Council.</p> <p>To date, I have not identified any significant weaknesses in the Council's arrangements that I wish to draw to your attention.</p>

# Fees

## I reported my planned audit fee in the 2011/12 Audit Plan.

I will complete the audit within the planned fee.

Table 4: Fees

	Planned fee 2011/12 (£)	Expected fee 2011/12 (£)
Audit	97,850	98,187.50
Claims and returns	39,000	39,000
Non-audit work	-	-
<b>Total</b>	<b>136,850</b>	<b>136,850</b>

The Audit Commission has paid a rebate of £7,800 to reflect attaining internal efficiency savings, reducing the net amount payable to the Audit Commission to £90,050.

The additional £337.50 charged in the audit fee is a recharge of the costs I have incurred to obtain independent professional advice in relation to the valuation of the new Civic Centre that I considered essential to enable me to discharge my statutory duties.



# Appendix 1 – Draft independent auditor’s report

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## INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF SELBY DISTRICT COUNCIL

### Opinion on the Authority financial statements

I have audited the financial statements of Selby District Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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 Responsibilities for the Statement of Accounts, the Executive Director (s151) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices 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 financial statements sufficient to give reasonable assurance that the financial 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 Executive Director (s151); and the overall presentation of the financial statements. In addition, I read all

the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the financial position of Selby District Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

### **Opinion on other matters**

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

### **Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### **Respective responsibilities of the Authority and the auditor**

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.

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.

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

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 2011, 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 2012.

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 2011, 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 ended 31 March 2012.

### **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  
District Auditor  
Audit Commission  
Nickalls House  
GATESHEAD  
NE11 9NH

XX September 2012

# Appendix 2 – Corrected errors

I identified the following errors during the audit which management have addressed in the revised financial statements.

Item of account	Nature of error	Statement of comprehensive income and expenditure		Balance sheet	
		Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
Balance Sheet Cash Flow Statement Note 16 – short term loans Note 20 – cash and cash equivalents	The figure for the purchase of short term investments in the draft accounts was understated by £3m (at £26.5m) and the figure for payments to suppliers at £22.152m overstated by £3m  Cash and cash equivalents Short term investments			3,000	3,000
Note 5	The amount of the impairment (£1.409m) given at note 5 was inconsistent with the correct figure given in the Comprehensive Income and Expenditure Statement of £1.303m				
Note 9 – Accumulated depreciation and impairment of council houses	As depreciation and impairment of council houses is always reversed out as part of the revaluation exercise the accumulated depreciation and impairment in note 9 should always equal zero. The previous year's accumulated depreciation and impairment had not been reversed out and consequently the figures in the note have been overstated by £4.634m				
Note 9 – Derecognition of council house improvements.	The Council correctly reverses out enhancement expenditure relating to council houses as additions because it is taken into account in the annual revaluation exercise and therefore any increase in value arising from the enhancements would be duplicated if it was not reversed. The reversal				

		Statement of comprehensive income and expenditure	Balance sheet
	<p>has been accounted for as 'revaluation losses' as opposed to 'impairment losses'.</p> <p>The impact is a £1.073m adjustment to the impairment losses offset by a corresponding adjustment to the revaluation figures and a £0.6m adjustment to the impairment losses in the Revaluation Reserve offset by a corresponding adjustment to the revaluation increases in the Revaluation Reserve.</p>		
Note 11	£1.008m of capital commitments moved from 'contracted' to 'approved but not contracted'.		
Note 14 – Financial instruments.	The figures in the note had not been adjusted for receivables and payables for non cash items and non contractual items. As a result the receivables figure was overstated by £1.483m and the payables figure overstated by £4.247m		
Explanatory Forward	<p>The explanatory forward contained a number of inconsistencies with the accounts:</p> <ul style="list-style-type: none"> <li>■ Employee costs of £5.99m did not agree to the £7.473m shown in note 25 with compensating adjustment to running costs;</li> <li>■ Housing and Council Tax benefits should have been £20.736m and not £19.449m and 20% (not 19%) as in text as per pie chart and Note 5;</li> <li>■ The movements in Short Term investments and Short Term Borrowing did not agree to the Balance Sheet.</li> </ul>		

I have agreed the following adjustments to the accounts that are not material but are regarded as 'non trivial'

### **Balance sheet**

PWLB accrued interest of £69,000 has been included within creditors as opposed to short term loans. The impact is to overstate creditors and understate the short term borrowing figure.

The creditors figure is overstated by £0.488m. This relates to adjustments relating to National Non Domestic Rates flowing from the 2010/11 accounts.

The value of car loans made to staff with less than a year to run have been included within the balance sheet as short term investments as opposed to debtors. The amount involved is £39,000

### **Cash Flow statement**

The Council have double counted the Local Services Support Grant in the "Other grants" line within operating activities. This is an error of £0.113m. This will then impact on the "Goods and Services Line".

### **Notes**

Note 9:

- in splitting the net book value figure for other land and buildings between gross book value and accumulated depreciation and impairment both figures were incorrectly reduced by £0.58m
- adjustments due to 'derecognition' of leased vehicles used by Enterprise are contracts that are not used exclusively on their contract with the Council (£0.427m)
- £63,000 adjustment relating to an impairment in 'other land and buildings'
- £56,000 adjustment in relation to depreciation and impairment relating to council dwellings.
- £20,000 amendment due to a council house being included twice in the transfers and revaluations lines.

Note 9 and Note 36

Note 9 included impairment losses of £0.159m for leased equipment and £16,000 for owned equipment that was not reflected in Note 36. Note 36 has been amended to bring it in line with note 9.

Note 28

The Chair's Allowance (£2,200) and Vice Chair's allowance (£960) had been omitted from the note. The total was therefore understated by £3,160.

## **Housing Revenue Account**

Note 9

£0.239m of land was included as 'other buildings' in the note.

## **Collection Fund**

Note 6

The Council Tax debtors and creditors were overstated by £247k. This error arose by a mistake in the calculation of council tax arrears as the accounts in credit were not adjusted for.

# Appendix 3 – Draft letter of management representation

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To Cameron Waddell  
District Auditor  
Audit Commission  
Nickalls House  
Metro Centre  
GATESHEAD  
NE11 9NH

## **Selby District Council - Audit for the year ended 31 March 2012**

I confirm to the best of our knowledge and belief, having made appropriate enquiries of other officers of Selby District Council, the following representations given to you in respect of your audit of the Authority's financial statements for the year ended 31 March 2012.

### **Compliance with the statutory authorities**

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Authority, for the completeness of the information provided to you, and for making accurate representations to you.

### **Uncorrected misstatements**

The effects of uncorrected financial statements misstatements summarised in the attached schedule are not material to the financial statements, either individually or in aggregate.

### **Supporting records**



I have made available all relevant information and access to persons within the Authority for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the Authority.

### **Irregularities**

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk the financial statements may be materially misstated as a result of fraud.

### **Law, regulations, contractual arrangements and codes of practice**

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Authority has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

### **Accounting estimates including fair values**

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

For accounting estimates in relation to retirement benefits (IAS19), I confirm:

- the appropriateness of the measurement methods, including related assumptions and models, and the consistency in application of the methods;
- the assumptions appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Authority, where relevant to the accounting estimates and disclosures;
- the disclosures relating to the accounting estimate are complete and appropriate under the Code; and
- that no subsequent event requires the Authority to adjust the accounting estimate and related disclosures included in the financial statements.

For accounting estimates in relation to the valuation of property, plant and equipment (and in particular the new Civic Centre), I confirm:

- the appropriateness of the measurement methods, including related assumptions and models, and the consistency in application of the methods;
- the assumptions appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Authority, where relevant to the accounting estimates and disclosures;
- the disclosures relating to the accounting estimate are complete and appropriate under the Code; and
- that no subsequent event requires the Authority to adjust the accounting estimate and related disclosures included in the financial statements.

### **Contingent liabilities**

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation. In particular, there are no claims or legal proceedings or other matters which may lead to a loss falling on the Authority or which could result in the creation of an unrecorded asset, that should be disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements;
- no financial guarantees have been given to third parties, other than already disclosed in the financial statements;
- there are no unrecorded liabilities, actual or contingent.

### **Related party transactions**

I confirm that I have disclosed the identity of the Authority's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the Code.

### **Subsequent events**

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements

### **Signed on behalf of Selby District Council**

I confirm that this letter has been discussed and agreed by the Audit Committee on 26 September 2012.

Signed  
Name  
Position  
Date

# Appendix 4 – Glossary

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## **Annual Audit Letter**

Letter issued by the auditor to the Authority after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

## **Annual Governance Report**

The auditor's report on matters arising from the audit of the financial statements presented to those charged with governance before the auditor issues their opinion [and conclusion].

## **Annual Governance Statement**

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

## **Audit of the accounts**

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

## **Audited body**

A body to which the Audit Commission is responsible for appointing the external auditor.

## **Auditing Practices Board (APB)**

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

## **Auditing standards**

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

**Auditor(s)**

Auditors appointed by the Audit Commission.

**Code (the)**

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

**Commission (the)**

The Audit Commission for Local Authorities and the National Health Service in England.

**Ethical Standards**

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

**Financial statements**

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

**Group accounts**

Consolidated financial statements of an Authority and its subsidiaries, associates and jointly controlled entities.

**Internal control**

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

**Materiality**

The APB defines this concept as 'an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor's report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement

within the financial statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative 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**

The concept of ‘significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the financial statements. Significance has both qualitative and quantitative aspects.

### **Those charged with governance**

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

### **Whole of Government Accounts**

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its financial statements.

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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.



[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

2012

September

**To:** Audit Committee  
**Date:** 26 September 2012  
**Author:** John Barnett; Audit Manager; VNY  
**Lead Officer:** Karen Iveson; Executive Director (s151 Officer)

---

**Title:** Counter Fraud Annual Review

**Summary:** The purpose of the report is to bring the committee up to date with the Council's 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:**

**It is recommended that the report be received, the actions identified in Appendix A, the self-assessment, noted and the outcomes set out in Appendix B are also noted.**

**Reasons for recommendation**

To provide the committee with assurance that Selby DC are taking fraud seriously and have or are developing effective Counter Fraud steps and 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. The Council, therefore 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 External Auditors, in their review of the Council, will also use this to measure performance in this area.
- 2.2 Fraud can be separated into two separate components; Housing Benefit Fraud which is investigated by the Enforcement Team; and Corporate (internal) Fraud which is investigated by Internal Audit.
- 2.3 The self-assessment template has been reviewed in conjunction with 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.
- 2.4 Outcomes of the Council's Housing Benefit Fraud work are attached as Appendix B.

### **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 the risk of fraud.
- 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.***

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**Appendices: -**

**Appendix A: Self Assessment (August 2012)**

**Appendix B: Outcomes from Housing Benefits Investigative  
Work.**

## COUNTER FRAUD SELF ASSESSMENT

## Appendix A

		WHERE ARE WE NOW	WHAT CAN WE DO	RESPONSIBILITY	DEADLINE
<b>1</b>	<b>KEY ELEMENTS OF A STRATEGIC APPROACH</b>				
1.1	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 an Anti Fraud Theft and Corruption Policy Statement and an Anti Fraud and Theft Corruption 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.	Business Manager - Policy	31/3/2012
1.2	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.			
1.3	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)?	<p><b>IA</b>; Counter Fraud is implicit in programmes of work.                      Detection and investigation is</p> <ul style="list-style-type: none"> <li>a) reactive rather than proactive.</li> <li>b) proactive work in the audit plan.</li> </ul> <p><b>ET</b>; Fraud Awareness Training given to new teams in SDC/AS.                      Publicised successful prosecutions.</p>	<p><b>ET</b>; need to continue training programme for new staff.</p>		

		WHERE ARE WE NOW	WHAT CAN WE DO	RESPONSIBILITY	DEADLINE
1.4	Is the full range of integrated action being taken forward or does the organisation 'pick and choose'?	<b>IA</b> ; see above <b>ET</b> ; use of risk based assessment on potential fraud referrals to determine optimum cases to be pursued.			
1.5	Does the organisation focus on outcomes (i.e. reduced losses) and not just activity (i.e. the number of investigations, prosecutions etc?).	<b>IA</b> ; focuses on both. <b>ET</b> ; focuses on reducing both fraud and error in line with overall enforcement policy and statutory duty.			
1.6	Has the strategy been directly agreed by those with political and executive authority for the organisation?	Yes; Audit Committee	Strategy to be reviewed (see above)	Business Manager - Policy	31/3/2012
<b>2</b>	<b>MEASURING FRAUD AND CORRUPTION LOSSES</b>				
2.1	Are fraud and corruption risks considered as part of the organisation's strategic risk management arrangements?	Yes, within the Corporate Risk Register. <b>IA</b> ; consider as part of IA risk assessment process. <b>ET</b> ; there is no longer a formal risk analysis, however, experience is present in the team to assess risk cases as they arise.			

		WHERE ARE WE NOW	WHAT CAN WE DO	RESPONSIBILITY	DEADLINE
2.2	<p>Is the organisation seeking to identify accurately the nature and scale of losses to fraud and corruption, using a:</p> <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>	<p><b>IA</b>; no.  <b>ET</b>; fraud definition is understood and applied. An applied balance of sensory and intuitive perception is seen in the estimation work together with consideration of proof required.</p>			
2.3	<p>Does the organisation use accurate estimates of losses to make informed judgements about levels of budgetary investment in work to counter fraud and corruption?</p>	<p>Probably, but there are pitfalls with this approach, as HB fraud is extensive, and there are costs which may not be met by DWP. No longer self financing activity, therefore reducing in scale to a 'limited' activity based more around capacity to investigate than levels of referrals.</p>			

		WHERE ARE WE NOW	WHAT CAN WE DO	RESPONSIBILITY	DEADLINE
<b>3</b>	<b>HAVING THE NECESSARY AUTHORITY AND SUPPORT</b>				
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?	<p><b>IA</b>; yes, need support from Authorising Officer (Solicitor to the Council) to sign RIPA authorisations.</p> <p><b>ET</b>; yes – Investigators are Authorised Officers for the purposes of Part VI of the Social Security Administrations Act 1992 to exercise any of the powers conferred by S.109B &amp; S.109C of the Act, however, only two of the Enforcement Team are trained.</p>	<p><b>ET</b>; need to keep competence and training needs under review given the changing legislative requirements associated with Universal Credit.</p>		
3.2	Is there strong political and executive support for work to counter fraud and corruption?	Yes.			
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?	<p>Fraud is the 'piece of string' and increasing the spend may lead into the law of diminishing returns.</p> <p>Work is now restricted by capacity following changes in the DWP HB grant regime.</p>			

		WHERE ARE WE NOW	WHAT CAN WE DO	RESPONSIBILITY	DEADLINE
	<b>Specialist Training &amp; Accreditation</b>				
3.4	Are all those working to counter fraud and corruption professionally trained and accredited for their role?	<p><b>IA</b>; Veritau has a dedicated Fraud Team appropriately qualified.</p> <p><b>ET</b>; yes HB Investigators are Professionalism in Security (PINS) accredited. Specially trained in fraud interviewing techniques.</p>	<p><b>ET</b>; need to bear in mind changing legislation associated with Universal Credit; also possible introduction of S.F.I.S in the DWP currently planned for April 2013.</p>		
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?	<p><b>IA</b>; yes.</p> <p><b>ET</b>; yes – ongoing review particularly the possible impact of S.F.I.S set up and what may be expected of local authorities in the future.</p>			
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?	<p><b>IA</b>; yes - working to Cipfa Code of Practice.</p> <p><b>ET</b>; yes – compliance with the several codes of conduct continues. Annual personal declaration of interests completed.</p>			
	<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?	<p>Policy is to undertake prior to all appointments, though this may not always happen with seasonal and any short term or contract staff.</p>			

		WHERE ARE WE NOW	WHAT CAN WE DO	RESPONSIBILITY	DEADLINE
3.8	Does the organisation regularly review its propriety checking and are random checks carried out to ensure that it is implemented?	See 3.7. Agency Worker Regulations – policy in force which covers review of propriety checking.			
	<b>Developing Effective Relationships with other Organisations</b>				
3.9	Are there framework agreements in place to work with other organisations and agencies?	<b>IA</b> ; no formal agreements, we would work with others as required. <b>ET</b> ; yes associate organisations are DWP; CAB; Housing Associations etc. That in place with the Police is currently under review to re-focus relevance and activity.			
3.10	Are the framework agreements focussed on the practicalities of common work?	<b>IA</b> ; n/a <b>ET</b> ; SLA's with Police, DWP, HMRC.			
3.11	Are there regular meetings to implement and update these agreements?	<b>ET</b> ; yes regular meetings of NY Fraud Investigators Group. Other ad-hoc groups meet as required.			

		WHERE ARE WE NOW	WHAT CAN WE DO	RESPONSIBILITY	DEADLINE
<b>4</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.	<p><b>IA</b>; Counter Fraud is implicit in programmes of work.  Detection and investigation is</p> <ul style="list-style-type: none"> <li>c) reactive rather than pro-active.</li> <li>d) proactive work in the audit plan.</li> </ul> <p><b>ET</b>; yes.</p>			
	<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'?		



		WHERE ARE WE NOW	WHAT CAN WE DO	RESPONSIBILITY	DEADLINE
4.6	Are agreements in place with stakeholder representatives to work together to counter fraud and corruption?	Yes, Audit Committee.			
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 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, Echo, noticeboards, and the 'grapevine'.		

		WHERE ARE WE NOW	WHAT CAN WE DO	RESPONSIBILITY	DEADLINE
4.10	Has the organisation successfully publicised work in this area?	Yes <b>ET</b> ; advertising, reporting of HB Fraud and other court cases, posters, business cards, franking envelopes, newsletters, Citizenlink. Anticipate an increase in 'promotions' once the new structures and the ET have settled into place.			
4.11	Has the publicity been targeted at the areas of greatest fraud losses?	No; universally 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?	<b>IA</b> ; 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'.	Reinforce through CMT, ASB and the Executive.		
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?	<b>IA</b> ; yes <b>ET</b> ; usually 'transgressions' rather than system weakness' but there are always 'lessons learned' reviews.			
4.14	Is there a system for considering and prioritising action to remove these identified weaknesses?	<b>IA</b> ; yes reports will have 'agreed actions'.			
	<b>Detection</b>				
4.15	Are there effective 'whistleblowing' arrangements in place?	Yes.	Reinforce through CMT, ASB and the Executive.		

		WHERE ARE WE NOW	WHAT CAN WE DO	RESPONSIBILITY	DEADLINE
4.16	Are analytical intelligence techniques used to identify potential fraud and corruption?	<p><b>IA</b>; part of routine audit work, plus regular internal data matching, plus participation in national data matching exercises.</p> <p><b>ET</b>; also the council participates in NFI and HBMS. Uses internal data matching and may extend to external groups.</p>			
4.17	Are there effective arrangements for collating, sharing and analysing intelligence?	<p><b>IA</b>; yes.</p> <p><b>ET</b>; for HB Fraud, information from DWP, Pensions Service and other local authorities is recorded on receipt and shared as appropriate. There are formal procedures/requirements, but complementing these there is informal analysis, flexibility and joint working. Information exchange the authority has improved.</p>			
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?	<p><b>IA</b>; written into the Constitution, but whether some are not reported is unknown, (but suspected).</p> <p><b>ET</b>; HB Fraud Hotline and Website for receipt of public referrals; established procedures for forwarding to DWP, TPS and HMRC.</p>			

		WHERE ARE WE NOW	WHAT CAN WE DO	RESPONSIBILITY	DEADLINE
4.19	Are arrangements in place to ensure that identified potential cases are promptly and appropriately investigated?	<p><b>IA</b>; There could be many ‘potential’ cases, derived from many sources. This is also about resources too.</p> <p><b>ET</b>; there is no formal timescale in place, however the HB Fraud work is undertaken during a 3/5 day turnaround of sifting referrals to either open investigation, refer to DWP/TPS/HMRC or mark as ‘no further action’.</p>			
4.20	Are proactive exercises undertaken in key areas of fraud risk of known systems weaknesses?	<b>IA</b> ; yes, eg regular payroll/HB matching. Internally and externally driven.	Consider any benefit against cost of undertaking.		
	<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?	<p><b>IA</b>; yes.</p> <p><b>ET</b>; there is no longer referral prioritisation for HB Fraud but necessary information through codes of practice and legislation is available for guidance , reference and observance.</p>			
4.23	Do those undertaking investigations have the necessary powers, both in law, where necessary, and within the organisation?	<p><b>IA</b>; yes</p> <p><b>ET</b>; yes – comply with Codes of Conduct &amp; Procedure manual ensuring compliance with Data Protection; Human Rights &amp; PACE.</p>			

		WHERE ARE WE NOW	WHAT CAN WE DO	RESPONSIBILITY	DEADLINE
4.24	Are referrals handled and investigations undertaken in a timely manner?	<b>IA</b> ; yes <b>ET</b> ; yes and HB Fraud 3/5 day target is established.			
4.25	Does the organisation have arrangements in place for assessing the effectiveness of investigations?	<b>IA</b> ; no formal arrangements as they are infrequent, and always discussed with the ED (s151 officer) <b>ET</b> ; management are kept informed by provision of information from the ET and the existence of key indicators.			
	<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?	<b>IA</b> ; no, always based on case by case. <b>ET</b> ; yes there remains constant application of sanctions by the team with existing guidelines followed. A new enforcement policy has been developed that encompasses all areas of regulation undertaken by SDC. Within this policy there are annexes that apply to specific enforcement areas. A specific annex has been developed for HB Fraud that encompasses the previously highlighted changes to DWP and Enforcement concordat.	<b>ET</b> ; the new enforcement policy to be ratified by committee.	Committee	31/3/2013

		<b>WHERE ARE WE NOW</b>	<b>WHAT CAN WE DO</b>	<b>RESPONSIBILITY</b>	<b>DEADLINE</b>
4.27	Are all possible sanctions – disciplinary/regulatory, civil and criminal – considered?	<b>IA</b> ; yes, though little hope of Police support and involvement due to scale of cases. <b>ET</b> ; yes - use of Licensing 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?	<b>IA</b> ; yes and during. <b>ET</b> ; yes – case individually reviewed to determine whether suitable for prosecution, formal caution or compliance.	<b>ET</b> ; fresh review required of ET scheme of delegation given the present existence of various reviewers dependent upon the service area involved.	ET	31/3/2013

		WHERE ARE WE NOW	WHAT CAN WE DO	RESPONSIBILITY	DEADLINE
4.29	Does the organisation monitor the extent to which the application of sanctions is successful?	<p><b>IA</b>; no.</p> <p><b>ET</b>; a new KPI has been developed following the implementation of the new structure. The KPI reports 'resolution (%) of high risk enforcement cases', on a quarterly basis. The KPI captures benefit fraud investigation along with other statutory enforcement functions (due to generic nature of the team). In addition continues to record data as indicators required by DWP.</p> <p>Enforcement seeks to uncover fraudulent overpayments and discourage future offending by acting as a deterrent. To this end all prosecutions are actively publicised in SDC magazines, tenant correspondence, website and local newspapers.</p> <p>It is currently not feasible to quantify the actual 'success' of a sanction (ie it's the impact on offending rates) due to lack of data/reporting ability.</p>	<p><b>ET</b>; continue to report existing and newly created PI's</p>		

		WHERE ARE WE NOW	WHAT CAN WE DO	RESPONSIBILITY	DEADLINE
	<b>Redress</b>				
4.30	Does the organisation have a clear policy on the recovery of losses incurred to fraud and corruption?	<b>IA</b> ; no standard policy, each case on merits and likely success. <b>ET</b> ; - 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?	<b>IA</b> ; n/a <b>ET</b> ; yes – HB Fraud overpayments separately identified and prioritised.; use of the enforcement concordat; seek also court fine, costs and victim surcharge then to ongoing benefit recovery or other recovery action outside of the ET.			
4.32	Does the organisation use the criminal and civil law to the full in recovering losses?	<b>IA</b> ; n/a <b>ET</b> ; yes – legal action taken to recover HB Fraud overpayments (civil debt) as necessary.			
4.33	Does the organisation monitor proceedings for the recovery of losses?	<b>IA</b> ; n/a <b>ET</b> ; yes – all overpayments with Legal are monitored for progress.			



		<b>WHERE ARE WE NOW</b>	<b>WHAT CAN WE DO</b>	<b>RESPONSIBILITY</b>	<b>DEADLINE</b>
4.34	What is the organisation's successful recovery rate?	<b>IA</b> ; n/a <b>ET</b> ; see additional Annexe to committee report for summary details of HB Fraud activity and recovery.			
<b>5</b>	<b>FOCUSING ON OUTCOMES AND NOT MERELY ACTIVITY</b>				
5.1	Are there clear outcomes described for work to counter fraud and corruption?	<b>IA</b> ; n/a <b>ET</b> ; KPI's used.			
5.2	Do the desired outcomes relate to the actual sums lost to fraud and corruption?	<b>IA</b> ; n/a <b>ET</b> ; HB Fraud relies on information and allegation being made to drive it's work. Non-HB relies on transgressions being notified to the team.			

**KEY**

**IA – Internal Audit**

**ET – Enforcement Team**

**Housing Benefit Counter Fraud Statistics**2011 – 2012

No of Referrals received	429
No of Referrals opened for fraud investigation	161

SanctionsFormal

Caution	12
Administrative Penalty	4
Successful Prosecution	10

Informal

Local Written Caution	14
Compliance Letter	1

Overpaid benefits identified and being recovered from the claimants:

Housing Benefit	£98,636.93
Council Tax Benefit	£28,816.73
Total	£127,453.66

1/4/12 – 31/8/12

No of Referrals received	162
No of Referrals opened for fraud investigation	87

SanctionsFormal

Caution	5
Administrative Penalty	1
Successful Prosecution	5

Informal

Local Written Caution	6
Compliance Letter	0

Overpaid benefits identified and being recovered from the claimants:

Housing Benefit	£28,714.70
Council Tax Benefit	£6,790.30
Total	£35,505.00

**To:** Audit Committee  
**Date:** 26 September 2012  
**Author:** John Barnett; Audit Manager; VNY  
**Lead Officer:** Karen Iveson; Executive Director (s151 Officer)

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**Title:** Internal Audit Progress Report 2012/13

**Summary:** The purpose of the report is to present the Internal Audit Progress Report for the period April to August 2012.

**Recommendations:**

**It is recommended that the attached report be approved.**

**Reasons for recommendation**

It is recommended that the report is considered by the Audit Committee as it summarises the audit work undertaken during the year to date. It also indicates the emerging internal audit opinion of the internal control framework.

**1. Introduction and background**

- 1.1. The provision of Internal Audit is a statutory requirement (Accounts & Audit Regulations).
- 1.2. The Audit Committee approved the internal audit plan for 2012/13 at the meeting of Committee held on the 18<sup>th</sup> April 2012. The purpose of the report is to inform Members of the progress made to date in delivering the 2012/13 Internal Audit Plan and any developments likely to have an impact on the Plan throughout the remainder of the financial year.

**2. The Report**

- 2.1. Within the report there is a summary of progress made against the plan and a summary of the audit opinions for the individual audits completed thus far.
- 2.2. Veritau carried out its work in accordance with the Cipfa Code of Practice for Internal Audit in Local Government.

2.3 There is no direct linkage to any of the Council's Priorities, as internal audit is a support service, which provides internal control and activity assurance to Directors on the operation of their services, and specifically to the Council's S151 Officer on financial systems.

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

3.1. Legal Issues

(a.) None.

3.2. Financial Issues

(a.) None.

### **4. Conclusion**

4.1. Veritau are making good progress in the delivery of the agreed internal audit plan and are no significant delays anticipated. Thus far, 8 audits have been completed to final report stage out of 27. This represents 29% of the plan completed. Based on our work thus far, we are satisfied that an opinion of **Substantial Assurance** can be given. However, as the plan is still in progress, this opinion may change to reflect the findings emerging from audit reviews later in the year.

### **5. Background Documents**

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**Appendices: - Internal Audit Progress Report 2012/2013 - North Yorkshire Audit Partnership**



**Selby District Council**  
**Internal Audit Progress Report 2012-13**  
**Period to 31 August 2012**

<b>Audits Completed to 31 August 2012</b>	
High Assurance	2
Substantial Assurance	4
Moderate Assurance	1
Limited Assurance	1
No Assurance	0

**Emerging Audit Opinion**

**Substantial Assurance**

**Audit Manager:** John Barnett  
**Client Relationship Manager:** Roman Pronyszyn  
**Head of Internal Audit:** Max Thomas

**Circulation List:** Member of the Audit Committee  
Chief Executive  
Executive Director (S151 Officer)

**Date:** 24 August 2012

## Background

- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2011 and the CIPFA Code of Practice for Internal Audit in Local Government (2006). In accordance with the Code of Practice, the Head of Internal Audit is required to regularly report progress in delivery of the internal audit plan to the Audit Committee and to identify any emerging issues which need to be brought to the attention of the Committee.
- 2 Members approved a three year Audit Plan covering the period 2012/13 – 2014/15 at their meeting on the 18th April 2012. The total number of planned audit days for 2012/13 is 375. The performance target for Veritau is to deliver 93% of the agreed Audit Plan by the end of the year. This report summarises progress made in delivering the agreed plan.

## Internal Audit Work Carried Out 2012/13

- 3 A summary of the internal audit reports issued is attached at **Appendix A**. This is the first progress report to be received by the committee during 2012/13.
- 3.1 Veritau officers are involved in a number of other areas relevant to corporate matters:
  - **Support to the Audit & Governance Committee;** this is mainly ongoing through our support and advice to Members. We assist by facilitating the attendance at Committee of managers to respond directly to members questions and concerns over the audit reports and the actions that managers are taking to implement agreed recommendations.
  - **Contractor Assessment;** this work involves supporting the assurance process by using financial reports obtained from D&B in order to confirm the financial robustness of contractors.
  - **Risk Management;** Veritau facilitate the Council's Risk Management process and advised Access Selby on their processes.
  - **Systems Development;** Internal Audit attend development group meetings in order to ensure that where there are proposed changes and new ways of delivering services, that the control environment is not overlooked which could lead to the Council being exposed.
  - **Investigations;** Special investigations into specific sensitive issues.
- 3.2 As with previous audit reports an overall opinion has been given for each of the specific systems under review. The opinion given has been based on an assessment of the risks associated with any weaknesses in controls identified.
- 3.3 The opinions used by Veritau are provided for the benefit of Members below:

<b>High Assurance</b>	Overall, very good management of risk. An effective control environment appears to be in operation.
<b>Substantial Assurance</b>	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.

<b>Moderate Assurance</b>	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
<b>Limited Assurance</b>	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
<b>No Assurance</b>	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

3.4 The following categories of opinion are also applied to individual actions agreed with management:

**Priority 1 (P1)** – A fundamental system weakness, which represents unacceptable risk to the system objectives and requires urgent attention by management.

**Priority 2 (P2)** – A significant system weakness, whose impact or frequency presents risk to the system objectives, which needs to be addressed by management.

**Priority 3 (P3)** – The system objectives are not exposed to significant risk, but the issue merits attention by management.

3.5 It is important that agreed actions are formally followed-up to ensure that they have been implemented. Agreed actions are recorded within Covalent therefore assurance should be gained through the performance management framework, with appropriate testing carried out.

3.6 In the period between April and August, inclusive, we have completed **8** out of **27** internal audit reviews to final report stage. In addition, draft reports for a further **3** reviews have been issued. This represents **29%** of the plan delivered to final report stage. Based on that work, our initial opinion is that a **Substantial Assurance** can be given. However, the audit plan is at an early stage of delivery and this opinion may be subject to change in the light of findings emerging from work carried out later in the year.

## Table of 2012/13 audit assignments completed

Audit	Status	Audit Committee
<b>Material Systems (AC definition)</b>		
Benefits	Not Started	
Council House Repairs	Not Started	
Council Tax/NNDR	Not Started	
Creditors	Not Started	
Debtors	Not Started	
General Ledger	Not Started	
Housing Rents	In Progress	
Income (Cash Receipting) System	Not Started	
Treasury Management	In Progress	
Capital Accounting/Asset Management	Not Started	
Payroll	Not Started	
<b>2012/13 Audit plan work</b>		
Members Allowances	Completed – Substantial Assurance	September 2012
The Business – Access Selby	In progress	
Housing Improvement Grants – Disabled Adaptations	Completed – Moderate Assurance	September 2012
Sheltered Accommodation	Completed – Substantial Assurance	September 2012
Development Control	Not Started	
ICT	Not Started	
Civil Contingencies (Business Continuity)	Draft Issued	
Land Sales	Draft Issued	
Closed Burial Grounds	Completed – Substantial Assurance	September 2012
Officers Allowances	Completed – Substantial Assurance	September 2012
Equalities	Draft Issued	
Partnership Arrangements	In Progress	
Officers Allowances	Completed – High Assurance	September 2012
Performance Management/Data Quality	Not Started	
Mobile Telephones	Completed – Limited Assurance	September 2012
Tax Management	Completed – High Assurance	September 2012
<b>Follow Ups:</b>	None to date	



Summary of Key Issues from audits completed to 31 August 2012; not previously reported to Committee

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
Members Allowances	Substantial Assurance	A review to ensure that expenses claimed by Members are bona fides and calculated correctly.	5 July 2012	<p><b>Strengths</b> The officers dealing with Members Allowances are well experienced and trained with adequate records maintained to evidence controls in place.</p> <p>There was one area where we identified '<b>over control</b>' in the checking of claim forms.</p> <p><b>Key Weaknesses</b> There were no key weaknesses identified.</p>	One P3 action agreed – claims checking will be limited to a defined sample – immediate.
Housing Improvement Grants – Disabled Adaptations	Moderate Assurance	To ensure that controls are in place around the processes employed in identifying and paying Disability Facilities Grants.	15 August 2012	<p><b>Strengths</b> The lead officer responsible for grants administration is capable and well experienced; however, as the audit findings show there is a need to widen this resource capability.</p> <p><b>Key Weaknesses</b> There is no written/IT procedural guide/policy in place with the work, relying on one individuals knowledge.</p> <p>One officer is responsible for all aspects of the process. This presents a lack of 'segregation of duties' and a risk to business continuity.</p>	<p>A set of procedure notes will be completed by - 31<sup>st</sup> March 2013.</p> <p>Agreed that another officer(s) will be involved in the process to provide continuity support and to strengthen the internal control – 31<sup>st</sup> October 2012.</p>

					There is a lack of clarification as to the categorisation of VAT and the issues around how the Council and Selby Home Improvement Agency account for VAT with the Inland Revenue.	Agreed that VAT will be clearly categorised in the future and confirm that the methods employed to account for VAT, with the Selby Home Improvement Agency, will be clarified – <i>Immediate</i> .
	Sheltered Accommodation	Substantial Assurance	To review the risks/controls in the administration of the service and the monitoring and charging mechanisms.	26 July 2012	<p><b>Strengths</b> Support Officers are under the supervision of a Customer Services Officer and provide invaluable assistance to residents. The raising of invoices was seen to be well administered although it was highlighted that chasing non-payments had been a problem in the past but had been addresses resulting in a reduction in the outstanding balances.</p> <p><b>Key Weaknesses</b> All Lifeline invoices are raised 'vat free/exempt', however it is only those residents who meet certain criteria which fit into this category – the others are subject to VAT.</p>	Agreed to reassess all those receiving the service to ensure they are correctly treated under the VAT regulations – 30 <sup>th</sup> September 2012.
	Closed Burial Grounds	Substantial Assurance	To ensure the risks around CBG are minimised and that the Council as abiding by legislation in the maintenance of these 'grounds'.	12 July 2012	<p><b>Strengths</b> The risks around the maintenance of CBG use to be high on the Corporate Risk Register but improvements in control and compliance with the</p>	

					<p>relevant legislation has reduced the risk.</p> <p>There was one area where we identified '<b>over control</b>' in the practice of checking all monuments on a six monthly basis.</p> <p><b>Key Weaknesses</b> There were no key weaknesses identified.</p>	<p>Agreed that a review of the regularity if site inspections will be undertaken in line with the perceived risks identified – 31<sup>st</sup> October 2012.</p>
Officers Allowances	Substantial Assurance	To ensure that controls are in place to reduce the risk of allowances/claims being paid, are not bona fides and authorised.	21 June 2012	<p><b>Strengths</b> The day to day control of officer's allowances has shown to be effective. It was identified that details of officers registered vehicles may not have been up to date and that this may result in the incorrect mileage rate being applied. Prompt action was taken when this was highlighted to rectify the records held.</p> <p>There was one area where we identified '<b>over control</b>' with 100% of claims being checked to the Payroll system even though NYCC do this under the Payroll SLA.</p> <p><b>Key Weaknesses</b> There were no key weaknesses identified.</p>	<p>Agreed that only a 20% sample of claims will be checked to the Payroll system – <i>immediate</i>.</p>	

	Tax Management	High Assurance	A review to ensure compliance with the Construction Industry Scheme as governed by the HMRC.	7 August 2012	<p><b>Strengths</b> The business administration assistant dealing with CIS invoices is very experienced and has a good understanding of how the scheme works for sub-contractors used by SDC. Some inputting errors were noted but control checks in place had identified most of these prior to submission of the monthly return to HMRC.</p> <p><b>Key Weaknesses</b> There were no key weaknesses identified.</p>	One P3 action agreed.
	Mobile Telephones	Limited Assurance	A review to ensure that the controls are in place to reduce the risks around the procurement, usage and monitoring of mobile telephones.	15 August 2012	<p><b>Strengths</b> Although the day to day administration of the processes have been neglected in recent years, the Lead Officer – Business Support has recognised these fundamental deficiencies inherited by her and has already set about introducing controls to minimise the risk. This has been recognised but until the measures are firmly in place, the audit opinion is that only a 'limited assurance' can be given.</p>	

					<p><b>Key Weaknesses</b></p> <p>There is an absence of a written agreement between the Council and the service provider.</p> <p>There is no single comprehensive record of mobile phones in place and the transfer of phones from one officer to another, are not recorded.</p> <p>Aspects of inappropriate call charge billing is not investigated. One such example included charges paid by a phone now known to be lost or stolen (now blocked). In one month alone charges amounted to over £260 on this phone.</p> <p>Possible failure to address the subject of security on SDC mobile phones, tablets and other mobile devices such as PDA's and on officers own devices for work purposes.</p>	<p>The original contract will be located. If this is not possible, copies will be drawn up and executed by the parties involved – <i>Immediate</i>.</p> <p>Since the completion of the audit a comprehensive record has now been established and the Orange website, definitive record, is up to date. This will monitor mobile transfer between officers – <i>completed</i>.</p> <p>A monthly report will be drawn down from the Orange website to identify any premium rate calls or texts. All numbers will be investigated and where possible/appropriate, blocked – <i>31 August 2012</i>.</p> <p>A risk assessment will be carried out to ascertain the security risk in officers using mobile devices – <i>yet to be agreed with Business Manager</i>.</p>
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