

Meeting: **AUDIT COMMITTEE**Date: **25 SEPTEMBER 2013** 

Time: **5.00PM** 

Venue: **COMMITTEE ROOM** 

To: Councillors C Pearson (Chair), J Cattanach, Mrs D Davies,

M Dyson, Mrs C Mackman (Vice Chair), Mrs M McCartney,

Mrs W Nichols, I Nutt, Mrs S Ryder

Agenda

Please note that, in line with practice, there will be a training session offered to Audit Committee Councillors covering the consideration of the Statement of Accounts. This will take place prior to the meeting at 4.30pm in the Committee Room.

# 1. Apologies for absence

# 2. Disclosures of Interest

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

#### 3. Minutes

To confirm as a correct record the minutes of the proceedings of the meeting of the Audit Committee held on 26 June 2013. Pages 3 to 7 attached.

- 4. Chair's Address to the Audit Committee
- 5. Audit Committee Report A/13/10 Annual Governance Statement

Report of the Executive Director (S151), pages 8 to 22 attached

6. Audit Committee Report A/13/11 – Statement of Accounts (post audit)

Report of the Executive Director (S151), pages 23 to 176 attached

7. Audit Committee Report A/13/12 – Audit Commission's Annual Governance Report and Opinion on the Financial Statements

Report of the Audit Manager, Mazars/Audit Commission, pages 177 to

Audit Committee 25 September 2013

# 211 attached

# 8. Audit Committee Report A/13/13 – Counter Fraud Annual Report

Report of the Executive Director (S151), pages 212 to 234 attached

# 9. Audit Committee Report A/13/14 – Internal Audit Quarter 1 +Report 2011/12

Report of the Executive Director (S151), pages 235 to 243 attached

# Jonathan Lund Deputy Chief Executive

Dates of next meetings
15 January 2013
16 April 2013

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

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# **Minutes**

# **Audit Committee**

Venue: Committee Room

Date: 26 June 2013

Present: Councillor Mrs D Davies, Councillor M Dyson,

Councillor M Jordan (substitute for Councillor J Cattanach), Councillor Mrs C Mackman (Vice Chair), Councillor Nutt, C Pearson (Chair) and Councillor

Mrs S Ryder.

Apologies for Absence: Councillor J Cattanach, Mrs M McCartney and Mrs

W Nichols.

Officers Present: John Barnett, Veritau; Gavin Barker and Alison Kent,

Mazars, Karen Iveson, Executive Director (S151); Keith Dawson, Director of Community Services and

Glenn Shelley, Democratic Services

# 1. DECLARATIONS OF INTEREST

There were no declarations of interest.

# 2. MINUTES

# **RESOLVED:**

To receive and approve the minutes of the Audit Committee held on 17 April 2013 and they are signed by the Chair.

#### 3. CHAIR'S ADDRESS

The Chair welcomed councillors and officers to the Committee's first meeting of 2013/14.

# 4. INTRODUCTION TO THE AUDIT COMMITTEE

The Committee noted that this training session would now be run at a

Audit Committee 26 June 2013

later date.

# 5. TIMINGS OF MEETINGS

# **RESOLVED:**

The Committee agreed to commence meetings at 5.00pm for the 2013/14 municipal year.

# 6. A/13/1 – ANNUAL INTERNAL AUDIT REPORT 2012/13

John Barnett, Audit Manager at Veritau North Yorkshire, presented the Internal Audit Report for 2012/13. He informed the Committee that the overall opinion of the Head of Internal Audit on the controls operated in Selby District Council was that they provided Substantial Assurance.

The Committee discussed the two Audits which has resulted in an opinion of Limited Assurance and were informed that the necessary action was being taken to improve systems and procedures.

# **RESOLVED:**

To receive and approve the report.

#### 7. A/13/2 – LOCALISED BUSINESS RATES

The Executive Director (S151) presented the report which outlined the funding regime in respect of the new Business Rates Retention Scheme.

The Executive Director (S151) set out that new Business Rates Retention Scheme became effective from 1 April 2013. Under the Scheme the Council retained at proportion of the Business Rates that it collects from local businesses after paying a tariff to central government.

The Committee discussed the potential risks to the Council under the Scheme and acknowledged the establishment of the Business Rates Equalisation Reserve to mitigate against any losses.

#### **RESOLVED:**

To note the details of the Business Rates scheme and the arrangements to deal with the funding risk

# 8. A/13/3 – COUNCIL TAX REBILLING

The Director of Community Services presented the report which provided an overview of the issues with the billing process for Council Tax in 2013/14 and the steps taken to address these. The report also contained the key findings from an Internal Audit review of the process.

The Committee was informed that that as soon as a problem had been identified Access Selby mobilised key staff to find a solution. The Committee discussed the costs of the rebilling to the Council and sought assurances that controls were now in place to prevent a recurrence. The Director of Community Services outlined that the findings of the Internal Audit report had been taken forward and would provide a greater level of control over future billing arrangements.

# **RESOLVED:**

To note the report.

# A/13/4 – ANNUAL REVIEW OF THE AUDIT VISION AND CHARTER

The Audit Manager presented the report on the Annual Review of the Audit Vision and Charter 2013/14.

The Committee heard that the Public Sector Internal Audit Standards specified that the Vision and Charter should be reviewed on a regular basis. The Committee noted the opportunity of an annual private meeting with the Head of Internal Audit and asked that this be arranged.

#### **RESOLVED:**

To approve the report for 2013/14

# 10. A/13/5 - EXTERNAL AUDIT PROGRESS REPORT

Gavin Barker from Mazars presented the report which gave an update on progress in meeting its responsibilities as the Council's external auditor.

Following a request from the Audit Commission and in line with all other Council's, the Committee was informed that an additional item, regarding the allocation of income and expenditure within the appropriate financial year in the accounts, had been added to Mazar's work plan.

Gavin Barker updated the Committee on Mazar's work with the Council in the production of the end of year financial statements. He felt that the regular meetings between Mazars' staff and the Council finance team had proved beneficial throughout the process. The Committee also discussed the Value for Money conclusion.

The Audit Committee passed on its appreciation for the sound financial management provided by the Executive Director (S151) and her staff.

# **RESOLVED:**

To note the report.

Audit Committee 26 June 2013

#### 11. AUDIT COMMITTEE WORK PROGRAMME 2013/14

The Executive Director (S151) presented the draft work programme for Audit Committee for the 2013/14 municipal year.

# **RESOLVED:**

To note the work programme for 2013/14

# 12. 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.

# 13. A/13/7 - REVIEW OF THE ACCESS SELBY RISK REGISTER

The Executive Director (S151) provided an update on the key risks identified within Access Selby which were considered by Access Selby Groups.

The Committee discussed some of the risks faced by the Council and the Executive Director (S151) gave an overview of the methodology used in making the assessment.

# **RESOLVED:**

To receive and endorse the actions of officers in furthering the progress of risk management

# 14. A/13/8 RISK MANAGEMENT ANNUAL REPORT

The Executive Director (S151) presented the report which provided an update on Risk Management developments throughout 2012/13 and the proposed actions to be taken in 2013/14 to further the process.

#### **RESOLVED:**

To receive and endorse the actions of officers in furthering the progress of risk management.

# 15. A/13/9 REVIEW OF THE CORPORATE RISK REGISTER

The Executive Director (s151) presented the report which provided an update on the movements within the Corporate Risk Register for the Council.

Audit Committee 26 June 2013

The Committee heard that the risks were formally reviewed by the Council's senior officers on a quarterly basis.

# **RESOLVED:**

To receive and endorse the actions of officers in furthering the progress of risk management.

The meeting closed at 6.20pm



# **Report Reference Number A/13/10**

Agenda Item No: 5.

To: Audit Committee Date: 25 September 2013

Author: Karen Iveson; Executive Director (s151 Officer)
Lead Officer: Karen Iveson; Executive Director (s151 Officer)

Title: Annual Governance Statement 2012/13

**Summary:** The report presents the Annual Governance Statement (AGS)

2012/13 for approval.

# **Recommendation:**

It is recommended that the AGS for 2012/13 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 form managers. It is the responsibility of both councillors and chief officers to obtain and provide such assurance. The production and publication of an AGS is therefore not an isolated act, but the final stage in a continuing review of internal control processes and procedures.

2.8 The AGS is attached at **Appendix A** and highlights two new issues within the Council's control framework that are felt to warrant improvement – relating to disaster recover/security and back-up of ICT and Council Tax billing. Both issues have benefitted from review by management and steps have been taken to mitigate the remaining risks within the systems.

# 3. Legal/Financial Controls and other Policy matters

- 3.1. Legal Issues
  - (a.) None.
- 3.2. Financ ial 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 valve 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.

Contact Officer: Karen Iveson; Executive Director (s151 Officer)

kiveson@selby.gov.uk

Appendices: - Annual Governance Statement 2012/13



# Annual Governance Statement 2012/13

# **Revision Control Table**

**Document Title**: Annual Governance Statement

**Owner**: Karen Iveson: Selby District Council

Author: Karen Iveson
J Street Executive Director (s151)
Audit Manager; North Yorkshire Audit Partnership/VNY

Version: 5.0 Release Date: 29/8/13

# **Change History**

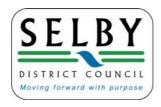
Date	Version	Change Detail	
3/06/13 1.0		1 <sup>st</sup> Draft for consultation with S151 Officer	
4/06/13	2.0	2nd Draft for consultation with S151 Officer	
8/6/13 3.0		3rd Draft for consultation with S151 Officer	
11/6/13	4.0	4th Draft issued to members of CMT for approval	
29/8/13	5.0	5 <sup>th</sup> Version issued to Chief Executive and Leader	

# Approval Tree - Version 5.0

Role	Name	Title	Initials	Date
Approved for Release	Karen Iveson	Executive Director (s151)	KI	29/8/13
Approved Martin	Connor	Chief Executive	MC	29/8/13
Approved	Mark Crane	Leader of the Council	MC	29/8/13

# <u>Distribution List – Version 5.0</u>

Name	Title	Date
Karen Iveson	Executive Director (s151)	29/8/13
Martin Connor	Chief Executive	29/8/13
Mark Crane	Leader of the Council	29/8/13



# **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 set and ards, and that public money is safeguarded and prope or rly accounted for, and used economically, efficiently and effect ively. The Council also has a duty under the Local Gov ernment 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 ov erall responsibility, the Counc il 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 process es, and culture and values, by which the authority is directed and controlled and its activities through which it ac counts 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 eliminat e all risk of failure to achiev e policies, aims and objectives; it can, therefore, only provide reas onable and not absolute as surance 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 Following the Local Government Elections the Counc il revised its governance framework, in 2011. The Council has operated a Leader and Executive (Cabinet) Model since May 2011. Offic er structures were also substantially revised in the same year and became operative in July 2011.

# 3. Selby District Council's Governance Framework

- 3.1 The key elements of the Council 's Governance Framework are as follows:-
  - The Council is part of a Loca I Strategic Partnership (LSP) comprising key stak eholders in the Dis trict. 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 curr ent plan, which was approved by the Execut ive, covers the per iod 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 ou t how the Counc il operates, how
    decisions are made, and the proc
    ensure that these are lawful
    accountable to local people. This
    incor porates the Members'
    Code of Conduct and a number of other locally agreed codes and
    protocols.
  - The Cou ncil's b udget and policy framework is set by the full Council. The Executive has del egated authority to operate and make decisions within the framework. Some powers are delegated to senior officers.
  - In addition to the Executiv et here are two specific regulator y committees for Licensing and Planning. These have independent powers within their legislative fr amework. Each of these act s within defined terms of reference agreed by the full Council.
  - The Standards Committee was abolished at the end of June 2012 when the Localism Act 2011 removed the statutory requirement to establish and maintain a Stand ards Committee. The Council adopted a set of arrangements for dealing with allegations of failure to comply with the Code of Conduct. These arrangements were adopted on 24 Apr il 2012 and came into effect on 1 July 2012.
  - 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 de cisions 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 exc ept when exempt or confidential matters are being disclosed. The public have an opportunity to participate in some of the meetings.
- A number of areas are delegated to officers for the purposes of decision-making; however, limits on the exercise of delegation are laid down in an approved Sc heme 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 maladminist ration by the Authority. The Monitoring Officer also has responsibilities relating to the Members' Code of Conduct.
- The Exec utive Director (s151) is the officer with statutory responsibility for the proper adm inistration of the Council's financial affairs, in ac cordance with the Section 151 of the Loc al Government Act 1972. In compliance with CIPFA's "Statement on the Role of the Chief Financial Officer in Local G overnment", Selby is in full compliance as the Executive Director (s151) is a member of the Strategic Management Team.
- Both the Statutory Officers re ferred to above have unfettered access to information, to the Chief Executiv e and to Members of the Council in order that they c an discharge their responsibilities effectively. The functions of these Officers and their roles ar e 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 c apital budgets – with regular reports to Access Selby Board and the Executive:

- Embedded arrangements for securing efficiencies and continuous improvement;
- Production annually of a Stat ement of Acc ounts compliant with the requirements of local authority accounting practice;
- Compliance with requirements established by CIPFA.
- A performance manag ement framework provides an explicit link between the corpor ate 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 Corporat e Plan to ensure that priorities are reviewed, remain relevant and reflect the aims of the Council;
  - A Service Level Agreement between the Core and Acces s Selby, which identifies key performance measures and targets for the year;
  - Service specific Strategic Plans , which ar e produced with explicit goals and as sociated performance targets in order to ensure that achievement of performance is measurable;
  - The Council's staff appraisal syst em (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 Clini cs 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 Mazars, the body responsible for the external audit of the Council.

- Recruitment and selection proc edures are based on recognis ed good practice and all staff posts have a formal job description and competency based person specific ation. 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 maint enance of systems and processes to identify and manage the key strategic and op erational ris ks 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(s) comprising both Corporate and Operational risks for the C ouncil as a whole and Access Selby, assigned to designated officers, with appropriate counter-measures and an action plan established for each key risk;
- Corporate Management Team keep the corporate risk management arrangements under review;
- periodic review of risks in-y ear with reports to th e Audit Committee and the Strategic Management Team;
- the Audit Committee also ap prove and review the Ris k Management Strategy;
- the use by Internal Audit of a risk based approac h in the preparation and delivery of the internal audit plan;
- the requirement for Officers of the Council to consider risk management issues when s ubmitting reports to the Executiv e and Council for consideration by Members;
- the adoption of an abridged vers ion 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. From 1 April 2012, responsibility for the provision of the internal audit service transferred to Veritau North Yorkshire Ltd. (VNY), which is part of the Veritau group. It oper ates in accordance with the statements, standards and guidel ines publis hed 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 apprais al 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 Committ ee with client responsibility assigned to the Executive Directo r (s151). Internal Audit is required to give an opinion on the adequa cy 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. It aims to achieve this by a variety of means including the following:
  - Service/process transformation and efficiency reviews;

- Working with partners;
- External and Internal Audit feedback.

#### 3. Review of Effectiveness

- 4.1 The Council has a r esponsibility for conducting, at least annually, a review of the effectiveness of it s governance framework including the system of internal control. This re view takes account of the work of internal audit and the Council's Strategic, and Corporate Management Teams who have a r esponsibility 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 rev iew is to id entify and evaluate the key cont rols in place to m anage principal r isks. It al so requires an evaluation of the assurances received, identifies gaps in controls and assurances and should res ult in an action plan to addr ess significant internal control issues.
- 4.3 The process that has been applied in maintaining and reviewing the effectiveness of the Counc il's s ystem of internal control includes the following:
  - The Council's Monitoring Officer oversees the operation of the Constitution to ensure its aims and principles are given full effect;
  - The arrangements for Overview and Sc rutiny hav e 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 arr angements have operated since May 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 pr ogramme of scheduled audits during the year according to its plan in cluding follow up audits. There were no s pecific investigations in the year. All high ris k 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 provide **Substantial Assurance**. There are no qualifications to that opinion. No reliance was placed on the work of other assurance bodies in reaching this opinion. There were two control related issues which, in the opinion of the Head of Internal Audit, need to be

considered for inclusion in the Annual Governance Statement; ICT 2011/12, identified key risks around Disaster Recovery and Business Continuity Planning. Management have recognised these issues and have formulated and tested a Disaster Recovery Plan with Craven DC and are working towards an approved Business Continuity Plan; Council Tax Billing 2013/14 – a control issue resulted in an error in the calculation of the annual bills. Management have since identified the control failure and taken steps to introduced additional controls to prevent a reoccurrence of the situation".

Internal Audit has als o raised c oncerns about certain auditable areas during the course of their work and these matters will be kept under review during 2013/14;

- The Accounts and Audit Regulations now require that the Counc il undertake, annually, a review of the 'effectiveness of its internal audit'. This has been done and repor ted to the Audit Committee. No material areas of concern were noted. Mazars have not identified any issues with the standard or quality of wor k undertaken by Internal Audit.;
- The Council's Risk Register has been maintained un der revie w during the year and updated accordingly . Repor ts on risk management have been considered by the Corporate Management Team, and the Audi t Committee. The Audit Committee has approved a revised Risk Management Strategy. Access Selby's Strategic Risk R egister has been dev eloped and maintained and reported to the Access Selby Board;
- Monitoring information on key ar eas of performance has been provided to Strategic Managem ent and M embers 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 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 external auditor did not identify any significant weaknesses in our internal control arrangements.

# **5** Significant Governance issues

5.1 No system of governance or inter nal control can provide absolute assurance against material misstatement or loss. This Statement is intended to provide reasonab le assurance. In conc luding this review of the Council's Governance Fram ework and Internal Control arrangements, two new issues have been i dentified that need to be monitored. A detailed plan to addr ess existing weaknesses and ensur e

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, wher e appropriate. The aim is to addr ess these weaknesses during the 2013/14 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	March 2013.  Internal Audit report that no further concerns have been raised.
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	March 2013.  Both the reconciliations for housing rents and housing benefits are up to date (end Feb 2013).
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	March 2013.  Additional training has been provided and

# Appendix A

Year	Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
		projects		2012	capacity & expertise within Business Support has been enhanced.
2012/13 ICT	Risks have been identified around disaster recovery, security and back-up arrangements. As IT is fundamental to the Council achieving its goals it is important that systems and processes are robust.	Internal Audit report.	The IT Manager will ensure that agreed actions are implemented.	IT Manager	May 2013  Management have formulated and tested a Disaster Recovery Plan with Craven DC and are working towards an approved Business Continuity Plan – deadline August 2013.
2012/13	Council Tax Billing – incorrect billing for 2013/14	Management	Management have issued corrected bills to households.  Management have identified the reasons for the error and have introduced further controls to ensure that the errors are not repeated.	Director/Busine ss Manager	May 2013  Management have identified the control failure and taken steps to introduced additional controls to prevent a reoccurrence of the situation.

Martin Connor Chief Executive **Councillor Mark Crane Leader of the Council** 



# **Report Reference Number A/13/11**

Agenda Item No: 6.

To: Audit Committee Date: 25 September 2013

Author: Jodie Taylor, Lead Officer – Finance Lead Officer: Karen Iveson, Executive Director s151

Title: Statement of Accounts 2012-13

**Summary:** The purpose of this report is to enable Councillors to

undertake an examination of the Council's financial accounts for the financial year 2012-13 and seek approval of them.

#### Recommendation:

# **Councillors approve the 2012-13 Statement of Accounts**

# 1 Introduction and background

- 1.1 The Accounts and Audit Regulations 2011 require Members to approve the Council's audited statutory accounts by 30 September following the financial year-end.
- 1.2 With effect from 1 April 2011 the draft Statement of Accounts submitted to the auditor only needs to be signed by the Council's Chief Financial Officer (Executive Director s151) by 30 June.
- 1.3 The 2012-13 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 2012-13 is attached for approval at Appendix A, and was signed by the Council's Chief Financial Officer (Executive Director s151) on 12 September 2013.

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (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 2012-13, and considers these in the context of the council's future financial prospects. Councillors are asked to consider the Statement of Accounts in detail along with the supporting notes, and either raise issues with the Executive Director s151 prior to the meeting so that a response can be prepared or discuss any such matters as necessary and appropriate at the meeting of the Committee.
- 2.6 The accounts were made available for public inspection from 8 July until 2 August and the auditor was available on 5 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 2012-13 closedown working papers.

# **Contact Officer:**

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Lead Officer – Finance
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# **Appendices**

Appendix A: 2012-13 Statement of Accounts Appendix B: Explanatory Paper to the Accounts

# SELBY DISTRICT COUNCIL



# STATEMENT OF ACCOUNTS 2012/2013

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# **SELBY DISTRICT COUNCIL**

# **STATEMENT OF ACCOUNTS**

# 2012/13

# **CONTENTS**

			<u>Pages</u>
LEADER'S FOR	EWOF	RD	3
EXPLANATORY	′ FORE	EWORD	4 - 13
STATEMENT OF	F RES	SPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS	14
INDEPENDENT	AUDI	TOR'S REPORT TO SELBY DISTRICT COUNCIL	15 - 17
		AL STATEMENTS	
			40
		RESERVES STATEMENT	18
COMPRE	HENS	IVE INCOME AND EXPENDITURE STATEMENT	19
BALANCE	SHE	ET	20
CASH FLO	ow s	TATEMENT	21 - 22
EXPLANATORY	NOTE	ES TO THE CORE FINANCIAL STATEMENTS	
		Restatement of Accounts	23 - 24
NOTE 1	_	Accounting Policies	25 - 43
NOTE 2		Accounting Standards that have been issued but not adopted	43 - 44
NOTE 3	_	Critical Judgements in Applying Accounting Policies	44 - 45
NOTE 4	_	Assumptions made about the Future and other Major	
		Sources of Estimation Uncertainty	45 - 46
NOTE 5	-	Material Items of Income and Expenditure	46
NOTE 6	-	Events After the Balance Sheet	47
NOTE 7	-	Adjustments between Accounting Basis and Funding Basis	
		under Regulations	48 - 51
NOTE 8	-	Transfers to / from Earmarked Reserve	52 - 53
NOTE 9	-	Other Operating Expenditure	54
NOTE 10	-	Financing and Investment Income and Expenditure	54
NOTE 11	-	Taxation and Non-Specific Grant Income	54
NOTE 12		Property, Plant and Equipment	55 - 56
NOTE 13		Depreciation Methodologies	57
NOTE 14		Commitments under Capital Contracts	57
NOTE 15		Revaluations	58
NOTE 16		Intangible Assets	58 - 59
NOTE 17	-	Financial Instrument Balances	59
NOTE 18	-	Long Term Debtors	60
NOTE 19	-	Short term Investments	60
NOTE 20	-	Financial Instruments Gains, Losses and Fair Values	61 - 62
NOTE 21	-	Inventories	62
NOTE 22	-	Debtors and Prepayments	63
NOTE 24	-	Cash and Cash Equivalents	63
NOTE 24	-	Creditors	63 - 64
NOTE 25	-	Provisions	64 65 66
NOTE 26 NOTE 27	-	Usable Reserves Unusable Reserves	65 - 66 66 - 70
NOTE 28	-	Amounts Reported for Resource Allocation Decisions	71 - 74
NOTE 29	-	Surpluses / Deficits on Trading Undertakings	71 - 7 <del>4</del> 75
NOTE 30	-	Agency Services	75 75
		U, ==:::===	. •

28

# **CONTENTS continued ....**

		<u>Pages</u>
NOTE 31 -	Members Allowances	75
NOTE 32 -	Officers' Remuneration	75 - 76
NOTE 33 -	External Audit Costs	76
NOTE 34 -	Grant Income	77 - 78
NOTE 35 -	Related Party Transactions	78 - 79
NOTE 36 -	Capital Expenditure and Financing	80 - 81
NOTE 37 -	Leases	81 - 83
NOTE 38 -	Assets Recognised under PFI Arrangements	84
NOTE 39 -	•	84
NOTE 40 -	Termination Benefits	85
NOTE 41 -	Retirement Benefits	86 - 90
NOTE 42 -	Contingent Liabilities	90
NOTE 43 -	<b></b>	90
NOTE 44 -	<b>5</b>	91 - 94
NOTE 45 -		94
NOTE 46 -		94
NOTE 47 -	<b>9</b> ,	95
NOTE 48 -	· · · · · · · · · · · · · · · · · · ·	95
NOTE 49 -	•	95
NOTE 50 -	, , ,	95
NOTE 51 -	<u> </u>	95
NOTE 52 -	•	96
NOTE 53 -		96
NOTE 54 -	, and the second se	96
NOTE 55		96
NOTE 56 -		97
NOTE 57	•	97
NOTE 58 -	•	97
NOTE 59	Information on Assets Held	98
HOUSING REVEN	UE ACCOUNT INCOME AND EXPENDITURE STATEMENT	99
MOVEMENT ON T	HE HOUSING REVENUE ACCOUNT STATEMENT	100
NOTES TO THE H	OUSING REVENUE ACCOUNT	101 - 107
THE COLLECTION	I FUND	108
NOTES TO THE C	OLLECTION FUND	109 - 112
GLOSSARY		113 - 121
ANNUAL GOVERN	NANCE STATEMENT	123 - 133

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 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 2012/13 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

And these 5 Big Things have also informed our new Programme for Growth. Resources have been earmarked to deliver a range of projects aimed at stimulating the local economy over the next 2 years through: creating/supporting jobs; housing and infrastructure; retail; and leisure.

We have successfully delivered a refurbishment programme to a number of Council owned homes and we purchased and fitted out the former Walker's Bingo hall into the new Profiles Gym following the devastating fire at Abbey Leisure Centre, back in February 2012. We also took the decision to demolish the old centre and rebuild a new modern leisure facility to enhance service provision and reduce costs in the long term. The new leisure centre is expected to be open in 2014/15.

Our service delivery arm, 'Access Selby' has again performed well over the last year whilst delivering the savings needed to cope with cuts to public sector funding. Our sound financial management means we are well placed to weather the storm but the continuing reductions in central government funding will bite hard over the coming years and we will need to 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

#### 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 Council'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 2012/13" (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The code is based on International Financial Reporting Standards. The financial figures contained within the statements and their supporting notes are rounded as appropriate and this is shown on the statement or note. The accounts contain the following statements for the year 1 April 2012 to 31 March 2013:

**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 non-current assets held. The net assets of the Council (assets less liabilities) are matched by reserves held by the Council. Reserves are reported in two categories - usable and unusable. Usable reserves are those reserves that the Council may use to provide services, subject to the need to maintain them at a prudent level and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). Unusable reserves are those that the Council is not able to use to provide services. They include reserves that hold unrealised gains and losses (e.g. 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'.

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

Cash Flow Statement - This summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is classified between operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from recipients of services provided by the Council. Investing activities identify the extent to which cash 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 capital (i.e. 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.

**The Collection Fund** - 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 2012/13 and presents a review of the effectiveness of the system as required by the CIPFASOLACE Framework issued in 2007.

#### 3. Structure of the Council's Accounts

The Council has to manage spending on services within a statutory framework, making sure that spending keeps within cash-limited budgets. This requires keeping:

- A General Fund to account for day-to-day spending on most Council services.
- A separate Housing Revenue Account.
- A separate Collection Fund Account.
- A capital programme to account for investment in assets needed for the delivery of Council services.

The way each of these is funded is also different:

- General Fund services are paid for from government grant, council tax and service charges.
- Housing income comes from housing rents.
- The Collection Fund is financed by income from taxpayers.
- The capital programme is funded in various ways long-term borrowing, external finance, capital receipts from the sale of Council non-current assets and from revenue.

#### 4. Revenue Spending in 2012/13

Revenue expenditure for 2012/13 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.

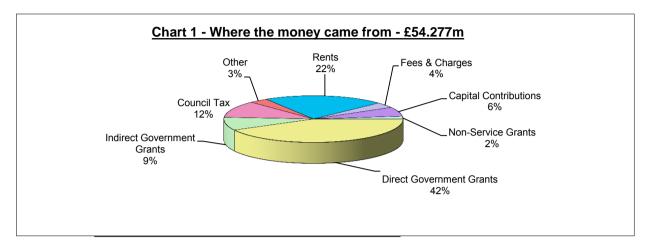


Chart 1 above shows income received in the year of £54.277m. 53% (£28.8m) of this is received from the government as formula (or indirect) grants, i.e. grants that are not ring-fenced for specific purposes, and direct grants, mainly to fund benefit payments. Council Tax provides a further £6.3m, which includes £1.4m for Parish Council precepts. Rents provide £11.9m of which £11.4m is from housing rents.

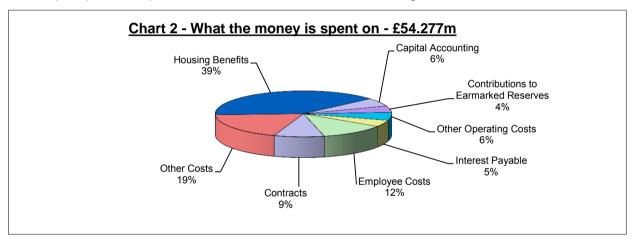
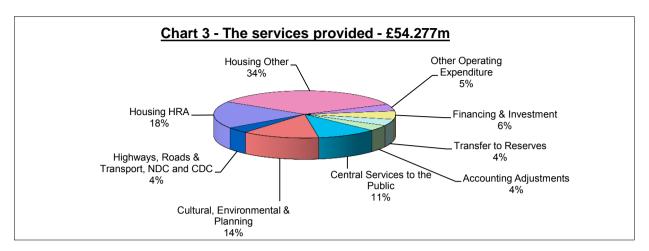


Chart 2 above shows that the largest proportion of the Council's money (£21.4m) is spent on Housing and Council Tax benefit payments. Other costs total £10.6m and include £8.2m transfer towards the costs of future capital expenditure and debt redemption. £6.5m was spent on employee costs, with contracts for recycling, refuse collection, street cleansing, and leisure costing £5.0m. Other operating costs total £3.1m of which the largest elements are parish precepts at £1.4m and drainage board levies at £1.5m. Contributions to Earmarked Reserves cost £2.4m, with interest payable and capital accounting costing £2.5m and £3.2m respectively.

Chart 3 overleaf shows the gross cost of the service provision by the Council as set out in the Comprehensive Income and Expenditure Statement (page 19) together with the other items of expenditure which have to be funded. The largest proportion of service expenditure (£19.0m) is Housing Services (non HRA) which includes housing benefit payments.

Accounting adjustments, which are determined by the Code of Practice, total £6.0m, of which the major adjustments relate to transferring the insurance receipt for the Abbey Leisure fire to capital receipts and the transfer from the HRA to the Major Repairs Reserve to meet future capital and debt redemption costs (£8.2m) reduced by the transfer from the Capital Adjustment Account of set-aside resources to offset depreciation charges (£2.8m).

# 4. Revenue Spending in 2012/13 continued .....



# Financial Performance in 2012/13 Compared to Agreed Budget

The latest approved budget required a call on General Fund and Housing Revenue Account balances of £445k and £77k respectively. The out-turn position was that there was an increase of £300k on the requirement relating to General Fund balances, however for the Housing Revenue Account a contribution of £52k was made to the balance rather than calling-down from it. The performance against budgets for general fund services and the housing revenue account are shown separately in the following paragraphs.

#### General Fund

The table below provides a summary of the Council's Comprehensive Income and Expenditure Statement for 2012/13 for General Fund services compared to the latest approved budget.

	Latest Approved Budget £'000	Actual £'000	Difference £'000
Net Cost of Services Parishes Precepts Internal Drainage Board Levies Interest Payable and Similar Charges Investment Interest Non Cash Adjustments included in Surplus/Deficit	8,627 1,442 1,461 119 (165) 469	8,120 1,442 1,461 155 (290) 258	(507) - - 36 (125) (211)
Net Operating Expenditure	11,953	11,146	(807)
Revenue Support Grant / Business Rates Non Service Related Government Grants Council Precept (including parish precepts)	(4,796) (1,183) (6,319)	(4,796) (1,183) (6,300)	- - 19
Net (surplus) / deficit	(345)	(1,133)	(788)
Capital Expenditure financed from revenue Other Non Cash Adjustments Transfers to / (from) Reserves	284 (741) 1,247	269 (957) 2,566	(15) (216) 1,319
Transfers (to) / from GF Balances	445	745	300

# 4. Revenue Spending in 2012/13 continued .....

#### Financial Performance in 2012/13 Compared to Agreed Budget .....

The previous table shows a saving against net cost of services of £507k. The table below looks at the major variances and gives a brief explanation as to why they have occurred. The main variances shown demonstrate that as part of its prudent financial management councillors and officers continually review budgets to achieve efficiency savings.

General Fund				
	Variance £'000	Reason for Variance		
Staff Costs	(226)	Variance arising from frozen posts, unfilled vacancies and maternity pay adjustments, plus some pension adjustments.		
Customer & Client Receipts	(65)	Increase in Supporting People income & Recycling Credits offset by shortfall on Planning income, Land Charges, Commercial, Special & Clinical Waste.		
Housing Benefits	(143)	Reduced council tax benefit payments partially offset by increased demand for rent allowances and rebates payments.		
Premises Costs	25	Costs arising from the Abbey Leisure fire not covered by insurance and NNDR for the old Civic Building less some small savings on repairs.		
Leisure Trust	28	Shortfall due to contract adjustment relating to 11/12 Wigan Leisure contract savings following Abbey Fire, and a cancelled invoice to WLCT from a previous year.		
Audit Costs	(37)	Savings resulting from changing both internal and external Auditors.		
Government Grants	85	Reduced grant for council tax benefits partially offset by increased grant for rent allowance and rebates to reflect changes in payments identified above and increased grant for benefits administration		
Additional Savings	(198)	On-going budget savings exercise through the year and the restructure have resulted in savings exceeding target.		
Miscellaneous	24	Net result of all other small variations.		
Total	(507)			

Overall the Council saw a saving of £8k in interest payable due to short term borrowing being kept to a minimum by managing cashflows for the Council as a whole. However this saving was achieved via the Housing Revenue Account and the General Fund saw an increase in interest of £36k as shown overleaf.

Investment income was originally budgeted at £165k 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 is considerably higher at £276k due to improved cash flows and achieving of better than expected interest rates, with a further £14k from interest repayable under contracts. The impact of the base rate remaining at 0.5% for longer than expected will have an effect in 2013/14 and beyond. This has been taken in to account in the Councils budgets going forward.

Non cash adjustments included in surplus/deficit on service provision are accounting adjustments made to the accounts that are reversed out within 'other non-cash adjustments' and will not impact on the Council Tax Payer. The variance comprises of the gain/loss on disposal on non-current assets, contribution of housing capital receipts to the government pool, recognised capital grants and contributions and pension fund adjustments.

The variance on capital expenditure financed from revenue is due to slippage on projects which are expected to be completed in 2013/14. Other non cash adjustments are accounting adjustments made to the accounts so that costs do not impact on the Council Tax Payer. The variance is made up of the variances in impairment charges, asset depreciation, capital accounting adjustments and pension fund adjustments. It also includes £19k with the council tax adjustment account to counter the £19k shown against the council precept in the table.

# 4. Revenue Spending in 2012/13 continued .....

# Financial Performance in 2012/13 Compared to Agreed Budget .....

#### **Housing Revenue Account**

The Housing Revenue Account (HRA) was estimated to make a deficit of £77k due to funding of the capital programme. The out-turn position is that a surplus of £52k was transferred to HRA Balances giving a variance saving of £129k. This consisted of £131k savings from Access Selby offset by cost pressures within the Core of £2k.

	Latest Approved Budget	Actual	Difference
	£'000	£'000	£'000
Net Cost of Services Interest Payable and Similar Charges Investment Interest Non Cash Adjustments included in Surplus/Deficit	(5,702) 2,413 (20) 419	(5,770) 2,370 (38) 229	(68) (43) (18) (190)
Net (surplus) / deficit	(2,890)	(3,209)	(319)
Capital Expenditure financed from revenue Other Non Cash Adjustments Transfers to / (from) Reserves	2,970 (23) 20	2,177 1,107 (127)	(793) 1,130 (147)
Transfers (to) / from HRA Balances	77	(52)	(129)

The previous table shows a saving against net cost of services of £68k. The table below looks at the major variances and gives a brief explanation as to why they have occurred. The main variances shown demonstrate that as part of its prudent financial management, councillors and officers continually review budgets to achieve efficiency savings.

Housing Revenue Account				
	Variance £'000	Reason for Variance		
Dwellings Repairs & Maintenance	(203)	Various savings including Electrical Testing, responsive works including Fencing, Gutters and Footpath, utilities and repairs at Community Centres and Hostels and Grounds Maintenance Works.		
Sundry	(138)	Numerous savings including; Energy Performance Certificates, Gas Audits, Painting, and Tenant Participation.		
Recharge Income	(68)	Recharges for support to Capital Schemes and increased Private Payers for the Supporting People Scheme.		
Subsidy	(14)	Final grant income resulting from Audit of final Subsidy Return.		
HRA Share of Support		Additional recharges from the General Fund for HRA services,		
Services	193	including Corporate Management.		
Capital Programme		Revenue funding needed for the capital programme larger than		
Financing	158	anticipated.		
Provision for Bad Debts	72	Increase in provision for Rent Debtors £21k and Non Rent Debtors £51k		
Rent - Dwellings &		Income exceeded estimates, partly due to quicker turnaround and re-		
Garages	(96)	let of void properties.		
Revaluation adjustment	28	Cost to HRA of Asset Revaluations.		
Total	(68)			

## 4. Revenue Spending in 2012/13 continued ......

#### Financial Performance in 2012/13 Compared to Agreed Budget .....

Savings have arisen on the cost of external debt due to the interest rate used in the calculation being higher than the rate charged. Also, additional investment income has been earned due to average cash balances being higher than estimated.

Non cash adjustments included in surplus/deficit on provision of services are accounting adjustments made to the accounts that are reversed out within 'other non-cash adjustments' and will not impact on the Rent Payer. This variance is made up of the the gain/loss on disposal on non-current assets, recognised capital grants and contributions and pension fund adjustments.

The variance on the capital expenditure financed from revenue is due to slippage on projects which are expected to be completed in 2013/14.

Other non cash adjustments are the accounting adjustments made to the accounts to reverse out impairment and depreciation charges and the profit/loss on disposal of non-current assets. It also includes capital accounting adjustments and pension fund adjustments.

Within both the General Fund and HRA a number of projects and financial commitments were not completed by 31 March 2013 and financial resources are being carried forward to 2013/14 to complete these projects. The total value of carry forwards is £1,842k (£936k Housing Revenue Account, £906k General Fund).

The detailed Core Financial Statements and accompanying notes are shown on pages 18 to 112.

## 5. Capital Expenditure

In 2012/13 the Council spent £5.708m (2011/12 £4.401m) on its capital programme (£1.372m General Fund and £4.336m Housing Revenue Account). An analysis of where the money was spent and the sources of funding are shown in the following two tables:

Capital Programme Analysis	Actual £'000	Proportion %
Council Dwelling Improvements Equipment & Vehicles, including Intangible Assets (e.g. computer software) Other Land and Buildings, including Community Assets Home Improvement Grants and Loans and Disabled Facilities Grants Other Grants Expenditure Funded from Capital	4,336 220 795 327 30	76.0% 3.9% 13.9% 5.7% 0.5%
Total	5,708	100%

Where the money came from	Actual £'000	Proportion %
Council's Capital Programme Spend		
Government Supported Borrowing	-	0.0%
Prudential Borrowing	-	0.0%
Capital Receipts	(843)	14.8%
Major Repairs Reserve	(2,143)	37.5%
Grants and Contributions	(276)	4.8%
Revenue and Reserves	(2,446)	42.9%
Total	(5,708)	100%

## 5. Capital Expenditure continued ......

#### **Explanation of variances against budget**

The Council expected to spend £6.988m on its capital programme, £1.501m on General Fund and £5.487m 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 £129k on the General Fund and £1.151m on the Housing Revenue Account. Work on these projects will be completed in 2013/14 or later.

The majority of the slippage within the HRA (£0.774m) relates to works on central heating and solid fuel systems.

## 6. 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 did not take out new borrowing during 2012/13.

#### 7. Collection Fund

At 31 March 2013 the surplus on the Collection Fund is £994k although £860k of this is owed to the North Yorkshire County Council, the North Yorkshire Police Authority and the North Yorkshire Fire and Rescue Authority. The collection rates for recovery of 2012/13 bills was 98.2% for Council Tax and 98.6% for National Non-Domestic Rates, which the Council bill and collect on behalf of the government.

## 8. 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 £21.853m at 31 March 2012 to £25.595m at 31 March 2013 based on the 2010 triennial review of the fund. This liability is set out in detail in note 41 and has been brought about as the 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 assess by the scheme actuary. The increase in the Pension Liability of £3.7m 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.

## 9. Significant Points to Note in Respect of the Balance Sheet

The Balance Sheet on page 20 shows that the net worth of the Council increased by £0.6m to £46.0m. Included in this increase is the effect of additions to non-current assets of £5.7m arising from expenditure on the capital programme offset by the net impact of disposals and revaluations of £7.3m. Long and short-term investments are reduced by £4.0m with a similar reduction in short-term borrowing of £4.5m. Short-term debtors shows an increase of £3.5m, almost entirely due to the inclusion in the Accounts of the insurance settlement of £3.4m which was received in early April 2013. In addition as explained above the liability related to the North Yorkshire Pension scheme increased by £3.7m.

In 2012/13 the Council received capital receipts of £456k from the sale of council houses and land. The Council also received insurance monies of £3.4m in respect of the fire damage at the Abbey Leisure Centre and £0.5m residual balance from the sale of the former Civic Centre. After the deduction of allowable costs and the payment of £242k to the Government pool, receipts of £843k were applied to fund capital expenditure in 2012/13.

#### 10. Review of the Council's Current Financial Position

At the 31 March 2013 the Council's usable reserves stood at £19.9m compared to £14.4m at the end of 2011/12. Included within these figures are £3.2m (£1.5m GF and £1.7m HRA) of unallocated revenue reserves. The Movement on the Housing Revenue Account Statement on page 100 shows that a contribution of £52k was made to the HRA unallocated reserve instead of the budgeted call of £77k from the reserve. The explanation of variances against budget on page 7 shows that the actual contribution from the General Fund unallocated reserves was £745k, an increase of £300k from the approved budget. The Council has not approved any increase to or reduction from these balances as part of the budget package for 2013/14.

Through its previous 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 has been able to achieve a cumulative £3.063m towards its target of £4.203m by 2015/16 which is required as a consequence of the cuts in grant funding from Central Government.

The remaining usable reserves include £11.0m earmarked reserves and £3.8m capital receipts reserve both of which were increased during 2012/13. The net increase in the capital receipts reserve of £3.3m reflects the receipt of the insurance settlement for the fire damage at the Abbey Leisure Centre. Earmarked reserves increased by £2.2m during 2012/13 which reflects the decision to set aside funds to provide resources for project work to generate future savings and develop new working practices, as well as resources to provide for potential cost pressures, e.g. the impact of the 2013 triennial actuarial review of the North Yorkshire Pension Fund. The increase in reserves is primarily an issue of timing between the identification of the resources and when the payment will be made.

The Section 151 officer annually undertakes a risk assessment to calculate a minimum level for reserves. For 2012/13 the minimum level was calculated to be £1.5m for General Fund and £1.5m for the Housing Revenue Account. The Medium Term Financial Plan assumes increases to reserves over the next few years to ensure that future demands can be met.

## 11. Changes in Accounting Practices & Policies

This set of Accounts is 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 2012/13 accounts.

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 statements". 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.

# 12. Future Developments

The Council's Medium Term Financial Plan is set within a robust and well established planning framework (Medium Term Financial Strategy), which is based on an analysis of the key influences on the Council's financial position and an assessment of the main financial risks facing the Council. This strategic framework has enabled the Council to deliver significant performance improvements in many areas, whilst maintaining effective control and use of its limited financial resources. The Council is facing further risks and pressures over the medium term and these are identified in the following paragraphs.

## 12. Future Developments continued ......

Reductions and Changes to Funding from Central Government: The Government stated its intention to reduce significantly public sector spending in its 2010 Spending Review. This is an ongoing process, with further reductions in central government support for local authorities expected in the 2013 Spending Review. In addition, from 2013/14 the Council will have to meet the challenges of dealing with the localisation of Non-Domestic Rates and Council Tax support. The continued development of the Medium Term Financial Strategy and 3 year financial plan will ensure that the Council is ready to meet these and other changes.

**Economic Downturn:** The economic climate continues to present challenges for the Council. This includes pressures resulting from the low interest rates earned on the Council's investments as well as lower income from planning fees and higher demand for services such as housing and council tax benefit. Our financial strategy and plan recognise these challenges and seek to provide financial resilience through savings and efficiencies and through the use of reserves and balances where appropriate. For example using one-off resources to facilitate spend to save initiatives to deliver on-going savings and improved value for money.

**Pension Fund Deficit:** The impact of the global financial problems on the Pension Fund investment returns led to increases in employers' contributions following the 2010 triennial valuation. The 2013 triennial valuation is due to start shortly, and any further increase in employers' contribution rates as a consequence of this review will impact on the Council's revenue budget. However the Council has been preparing for this by setting aside £200k from its base budget into a Pensions Equalisation Reserve which provides financial capacity to withstand a level of increase in employers contributions.

**Programme for Growth:** Local economic growth is a key priority for the Council and work has started on a £5m programme of initiatives to stimulate growth through jobs, housing and infrastructure, retail and leisure. The programme is aligned to the 5 Big Things identified in the Council's Corporate Plan and is funded through earmarked reserves and New Homes Bonus.

**Future Collaboration:** The Council understands the need for improved value for money particularly when budgets are under pressure. It has actively sought out partners to work with on a number of services over the years and is currently exploring the potential for improved two tier working with North Yorkshire County Council. The project which includes a shared Chief Executive/Assistant Chief Executive for Selby/NYCC, provides the opportunity for improved outcomes for citizens, reduced costs and improved capacity and resilience.

## 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 Council, 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 Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom (the Code).* 

In preparing this Statement of Accounts the 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 18 - 112 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 2013.

Karen Iveson CPFA Executive Director (s151)

Dated 12 September 2013

## **Approval of the Accounts**

This Statement of Accounts was approved by a resolution of the Audit Committee of Selby District Council on 25 September 2013.

Councillor C Pearson
Chair of Audit Committee

Dated 25 September 2013

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

## **Opinion on the Authority financial statements**

We have audited the financial statements of Selby District Council for the year ended 31 March 2013 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 2012/13.

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. Our 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 us 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, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Selby District Council as at 31 March
   2013 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 2012/13.

## **Opinion on other matters**

In our 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.

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

## Matters on which we report by exception

We report to you if:

- in our 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 and the December 2012 addendum;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we 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
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We 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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves 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 us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we 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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission on 1 November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves 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 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we 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 our work, having regard to the guidance on the specified criteria published by the Audit Commission on 1 November 2012, we are 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 2013.

#### Certificate

We certify that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Cameron Waddell

For and on behalf of Mazars LLP, Appointed Auditors

The Rivergreen Centre Aykley Heads Durham, DH1 5TS

30 September 2013

# 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
Balance at 31 March 2011	(2,835)	(6,708)	(1,671)	(1,157)	0	(94)	(228)	(12,693)	(92,322)	(105,015)
Restated Movement in reserves during 2011/12										
(Surplus) or deficit on provision of services	1,089	0	25,767	0	0	0	0	56,856	0	56,856
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	0	2,810	2,810
Total Comprehensive Expenditure and Income	1,089	0	55,767	0	0	0	0	56,856	2,810	29,666
Adjustments between accounting basis & funding basis under regulations (note 7)	(1,610)	0	(55,681)	0	(871)	(411)	0	(58,573)	58,573	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(521)	0	98	0	(871)	(411)	0	(1,717)	61,383	59,666
Transfers to/from Earmarked Reserves (note 8)	1,066	(1,086)	(54)	74	0	0	0	0	0	0
Increase/Decrease (movement) in Year	545	(1,086)	32	74	(871)	(411)	0	(1,717)	61,383	29,666
Balance at 31 March 2012 carried forward	(2,290)	(7,794)	(1,639)	(1,083)	(871)	(505)	(228)	(14,410)	(30,939)	(45,349)
Movement in reserves during 2012/13		,		•	•		(	:	,	
(Surplus) or deficit on provision of services Other Comprehensive Expenditure and Income	(4,568)	0 0	684	o c	o c	o c	0 0	(3,884)	3.242	(3,884)
Total Comprehensive Expenditure and Income	(4,568)	0	684	0	0	0	0	(3,884)	3,242	(642)
Adjustments between accounting basis & funding basis under regulations (note 7)	2,747	0	(609)	0	(421)	(3,331)	0	(1,614)	1,614	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(1,821)	0	75	0	(421)	(3,331)	0	(5,498)	4,856	(642)
Transfers to/from Earmarked Reserves (note 8)	2,566	(2,586)	(127)	147	0	0	0	0	0	0
Increase/Decrease (movement) in Year	745	(2,586)	(52)	147	(421)	(3,331)	0	(5,498)	4,856	(642)
Balance at 31 March 2013 carried forward	(1,545)	(10,380)	(1,691)	(936)	(1,292)	(3,836)	(228)	(19,908)	(26,083)	(45,991)

# **COMPREHENSIVE INCOME & EXPENDITURE STATEMENT**

	2011/12				2012/13		
Expenditure Restated £'000	Income Restated £'000	Net Exp. Restated £'000		Expenditure £'000	Income £'000	Net Exp. £'000	Notes
6,020	(5,143)	877	Central Services to the Public	5,791	(5,167)	624	45
1,155	(184)	971	Cultural and Related Services	953	(169)	784	46
1,303	-	1,303	Exceptional Costs Impairment from Abbey Leisure Centre Fire	-	-	-	46
4,863	(1,624)	3,239	Environmental and Regulatory Services	4,663	(1,519)	3,144	47
2,035	(752)	1,283	Planning Services	1,850	(760)	1,090	48
69	(346)	(277)	Highways and Transport Services	215	(345)	(130)	49
9,353	(11,418)	(2,065)	Local Authority Housing (HRA) Exceptional Costs - settlement payment	10,090	(11,968)	(1,878)	50
57,733	-	57,733	to Government for HRA self-financing	-	-	-	50
18,285	(17,511)	774	Other Housing Services	18,563	(17,790)	773	51
1,443	(59)	1,384	Corporate and Democratic Core	1,856	(41)	1,815	52
475	(41)	434	Non Distributed Costs	100	(80)	20	53
102,734	(37,078)	65,656	Cost of Services	44,081	(37,839)	6,242	
		2,141	Other Operating Expenditure			2,535	9
Financing and Investment Income & Expenditure				3,084	10		
		(12,205) Taxation and Non-Specific Grant Income				(15,745)	11
		(Surplus) or Deficit on Provision of Services				(3,884)	
			Other Comprehensive Income and Expenditure				
		(740)	Surplus or deficit on Revaluation of Property, Plant and Equipment Assets			(222)	27.1
		588	Impairment Losses on Non-Current assets charged to the Revaluation Reserve			236	27.1
		(3)	(Surplus) / Deficit on revaluation of available for sale financial assets			-	27.2
	Actuarial (gains) / losses on pension 2,965 fund assets and liabilities			3,228	41		
		2,810	Total Other Comprehensive Income and Expenditure			3,242	
		59,666	Total Comprehensive Income and Expenditure			(642)	

# **BALANCE SHEET**

Restated	31-Mar-12		31-M	ar-13	Notes
115,343			£'000	£'000	
128				2000	
4,036   Long Term Investments   287   18	· ·				
119,770   Total Long Term Assets   120,281   18   19,147   19   19   19   19   19   19   19   1		-			
119,770   Total Long Term Assets   120,281     19   15,174   20   2,901   18   21   21   23   17,18,22   23   17,18,22   23   17,18,22   23   17,18,22   23   17,18,22   23   17,18,22   23   17,18,22   23   17,18,22   23   17,18,22   23   17,18,22   23   17,18,22   23   19,870   Total Current Assets   16,779		=	· ·		
15,174					
20		Total Long Term Assets			
2,901 1,775     Short Term Debtors Cash and Cash Equivalents     6,229 1,385     17,18,22 23       19,870     Total Current Assets     16,779       139,640     Total Assets     137,060       (5,125) (5,512) Short Term Borrowing (53) Revenue Grants Receipts In Advance Capital Grants Receipts In Advance     (620) (3,411) -<	· ·		· ·		
1,775					
19,870   Total Current Assets   16,779			· ·		
139,640   Total Assets   137,060	1,775	Cash and Cash Equivalents	1,385		23
(5,125)       Short Term Borrowing       (620)       17         (5,512)       Short Term Creditors       (3,411)       24         - Provisions       - 25       25         Revenue Grants Receipts In Advance       - 34         (54)       Capital Grants Receipts In Advance       (4)         (10,744)       Total Current Liabilities       (4,035)         (60,299)       Long Term borrowing       (60,299)         Other Long Term Liabilities:       (25,595)       41         (21,853)       Defined Benefit Pension Scheme       (25,595)       41         Finance Leases       (1,140)       37         (83,547)       Total Long Term Liabilities       (87,034)         (94,291)       Total Liabilities       (91,069)         45,349       Net Assets       45,991         (14,410)       Usable Reserves       (19,908)       26         (30,939)       Unusable Reserves       (26,083)       27	19,870	Total Current Assets	16,779		
(5,125)       Short Term Borrowing       (620)       17         (5,512)       Short Term Creditors       (3,411)       24         - Provisions       - 25       25         Revenue Grants Receipts In Advance       - 34         (54)       Capital Grants Receipts In Advance       (4)         (10,744)       Total Current Liabilities       (4,035)         (60,299)       Long Term borrowing       (60,299)         Other Long Term Liabilities:       (25,595)       41         (21,853)       Defined Benefit Pension Scheme       (25,595)       41         Finance Leases       (1,140)       37         (83,547)       Total Long Term Liabilities       (87,034)         (94,291)       Total Liabilities       (91,069)         45,349       Net Assets       45,991         (14,410)       Usable Reserves       (19,908)       26         (30,939)       Unusable Reserves       (26,083)       27	139,640	Total Assets		137,060	
(5,512)       Short Term Creditors       (3,411)       24         Provisions       -       25         Revenue Grants Receipts In Advance       -       34         (54)       Capital Grants Receipts In Advance       (4)       34         (10,744)       Total Current Liabilities       (4,035)         (60,299)       Long Term borrowing Other Long Term Liabilities:       (60,299)       17         (21,853)       Defined Benefit Pension Scheme Finance Leases       (25,595)       41         (1,395)       Finance Leases       (1,140)       37         (83,547)       Total Long Term Liabilities       (87,034)         (94,291)       Total Liabilities       (91,069)         45,349       Net Assets       45,991         (14,410)       Usable Reserves       (19,908)       26         (30,939)       Unusable Reserves       (26,083)       27	,			ŕ	
(5,512)       Short Term Creditors       (3,411)       24         Provisions       -       25         Revenue Grants Receipts In Advance       -       34         (54)       Capital Grants Receipts In Advance       (4)       34         (10,744)       Total Current Liabilities       (4,035)         (60,299)       Long Term borrowing Other Long Term Liabilities:       (60,299)       17         (21,853)       Defined Benefit Pension Scheme Finance Leases       (25,595)       41         (1,395)       Finance Leases       (1,140)       37         (83,547)       Total Long Term Liabilities       (87,034)         (94,291)       Total Liabilities       (91,069)         45,349       Net Assets       45,991         (14,410)       Usable Reserves       (19,908)       26         (30,939)       Unusable Reserves       (26,083)       27	(5 125)	Short Term Borrowing	(620)		17
- (53) Revenue Grants Receipts In Advance Capital Grants Receipts In Advance (4) 34  (10,744) Total Current Liabilities (4,035)  (60,299) Long Term borrowing Other Long Term Liabilities: Defined Benefit Pension Scheme Finance Leases (1,140) (1,14					
(54)       Capital Grants Receipts In Advance       (4)       34         (10,744)       Total Current Liabilities       (4,035)         (60,299)       Long Term borrowing Other Long Term Liabilities: Defined Benefit Pension Scheme Finance Leases       (25,595) (1,140)       41         (83,547)       Total Long Term Liabilities       (87,034)       (91,069)         45,349       Net Assets       45,991         (14,410)       Usable Reserves       (19,908)       26         (30,939)       Unusable Reserves       (26,083)       27	-		-		
(10,744)       Total Current Liabilities       (4,035)         (60,299)       Long Term borrowing Other Long Term Liabilities: Defined Benefit Pension Scheme Finance Leases       (25,595) (1,140)       41         (83,547)       Total Long Term Liabilities       (87,034)       (91,069)         45,349       Net Assets       45,991         (14,410)       Usable Reserves       (19,908)       26         (30,939)       Unusable Reserves       (26,083)       27	(53)	Revenue Grants Receipts In Advance	-		34
(60,299)       Long Term borrowing Other Long Term Liabilities: Defined Benefit Pension Scheme Finance Leases       (25,595) (1,140)       41 (37)         (83,547)       Total Long Term Liabilities       (87,034)         (94,291)       Total Liabilities       (91,069)         45,349       Net Assets       45,991         (14,410)       Usable Reserves       (19,908)       26 (26,083)         (30,939)       Unusable Reserves       (26,083)       27	(54)	Capital Grants Receipts In Advance	(4)		34
(21,853) (1,395)       Other Long Term Liabilities: Defined Benefit Pension Scheme Finance Leases       (25,595) (1,140)       41         (83,547)       Total Long Term Liabilities       (87,034)         (94,291)       Total Liabilities       (91,069)         45,349       Net Assets       45,991         (14,410)       Usable Reserves       (19,908)       26         (30,939)       Unusable Reserves       (26,083)       27	(10,744)	Total Current Liabilities	(4,035)		
(21,853) (1,395)       Other Long Term Liabilities: Defined Benefit Pension Scheme Finance Leases       (25,595) (1,140)       41         (83,547)       Total Long Term Liabilities       (87,034)         (94,291)       Total Liabilities       (91,069)         45,349       Net Assets       45,991         (14,410)       Usable Reserves       (19,908)       26         (30,939)       Unusable Reserves       (26,083)       27	(60, 200)	Long Torm borrowing	(60, 200)		17
(21,853) (1,395)       Defined Benefit Pension Scheme Finance Leases       (25,595) (1,140)       41 37         (83,547)       Total Long Term Liabilities       (87,034)         (94,291)       Total Liabilities       (91,069)         45,349       Net Assets       45,991         (14,410)       Usable Reserves       (19,908)       26         (30,939)       Unusable Reserves       (26,083)       27	(00,299)		(00,299)		17
(1,395)       Finance Leases       (1,140)       37         (83,547)       Total Long Term Liabilities       (87,034)         (94,291)       Total Liabilities       (91,069)         45,349       Net Assets       45,991         (14,410)       Usable Reserves       (19,908)       26         (30,939)       Unusable Reserves       (26,083)       27	(21,853)		(25,595)		41
(94,291)       Total Liabilities       (91,069)         45,349       Net Assets       45,991         (14,410)       Usable Reserves       (19,908)       26         (30,939)       Unusable Reserves       (26,083)       27					37
45,349       Net Assets       45,991         (14,410)       Usable Reserves       (19,908)       26         (30,939)       Unusable Reserves       (26,083)       27	(83,547)	Total Long Term Liabilities	(87,034)		
45,349       Net Assets       45,991         (14,410)       Usable Reserves       (19,908)       26         (30,939)       Unusable Reserves       (26,083)       27	(94,291)	Total Liabilities	<u></u>	(91,069)	
(14,410)       Usable Reserves       (19,908)       26         (30,939)       Unusable Reserves       (26,083)       27	4E 240	Not Accets			
(30,939) Unusable Reserves (26,083) 27	45,349	Net Assets		45,991	
	(14,410)	Usable Reserves		(19,908)	26
	(30.939)	Unusable Reserves		(26.083)	27
(45,349) Total Reserves (45,991)	(,000)			(==,000)	·
	(45,349)	Total Reserves		(45,991)	

Karen Iveson
CPFA

**Executive Director (s151) Dated** 12 September 2013

# **CASH FLOW STATEMENT**

2011/12		201	2/13	Notes
Restated £'000		£'000	£'000	
6,890 22,152 9,917 1,410 623 128 3,321 <b>44,441</b> (4,500) (5,756) (4,012) (1,240) (20,780) (1,888) (247)	Operating Activities  Cash Outflows Employees Payments to Suppliers Housing Benefit Precepts Interest Paid Payments to the Capital Receipts Pool Other Payments for Operating Activities  Cash Outflows from Operating Activities  Cash Inflows Rents (after rebates) Council Tax Non-domestic rate pool Revenue Support Grant DWP grants for benefits Other Government Grants Interest received Dividends received Goods and services	4,934 13,520 10,104 1,442 2,568 209 3,037 (4,806) (5,860) (4,705) (91) (21,326) (2,137) (309)	35,814	34 34
(51,200)	Cash Inflows from Operating Activities		(46,668)	
(6,759)	Net Cash Flow from Operating Activities		(10,854)	
4,103	Investing Activities  Cash Outflows Purchase of Property, Plant & Equipment	5,030		
15 57,733 26,500 -	Other capital cash payments HRA Self Financing Settlement Purchase of short-term investments Purchase of long-term investments	36 - 75,250 2		
(2,893) (2,076) (10) (28,500)	Cash Inflows Sale of fixed assets Capital grants received Other capital cash receipts Disposal of investments	(957) - (16) (79,250)		34
54,872	Net Cash Flow from Investing Activities		95	
48,113	Net Cash Flow Before Financing c/fwd		(10,759)	

# **CASH FLOW STATEMENT**

2011/12 Restated		201	2/13	Notes
£'000		£'000	£'000	
48,113	Net Cash Flow Before Financing b/fwd		(10,759)	
	Financing			
2,018	Cash Outflows Repayments of amounts borrowed	4,504		
392 2,634	Repayments of Leases Other payments from financing activities	401 6,244		
(50,215) (4,500)	Cash Inflows New loans raised New short term loans Other receipts from financing activities	- - -		
(49,671)	Net Cash Flow from Financing		11,149	
(1,558)	Net (Increase) / Decrease in Cash		390	
(217)	Cash and Cash equivalents at the beginning of the reporting period		(1,775)	
(1,775)	Cash and Cash equivalents at the end of the reporting period		(1,385)	23

#### **Restatement of Accounts**

Under IAS8 Councils are required to disclose changes made to the previous years Statement of Accounts in relation to changes in accounting policy and material prior period adjustments. The following tables explain the differences between the amounts presented in the 2011/12 financial statements and the equivalent amounts presented in the 2012/13 financial statements. None of these changes have affected the general fund balances held by the Council.

## **Prior Period Adjustments**

- 1. There was an error of £20k in the figure included for revaluation gains on the Comprehensive Income and Expenditure Statement. There was a corresponding misstatement on the Movement in Reserves Statement, where the total authority reserves shown (£45.369m) did not agree to the total Council's reserves (£45.349m) on the Balance Sheet. This correction makes the Movement in Reserves Statement total agree to the figure on the Balance Sheet.
- 2. Analysis work undertaken has identified that the treatment of impairments and revaluations on the Comprehensive Income and Expenditure Statement, the Revaluation Reserve and the Capital Adjustment Account in previous years have not been fully compliant with the Code of Practice. The cumulative impact is a compensating mis-statement of the balance held in the Revaluation Reserve and the Capital Adjustment Account of £942k as at 31 March 2012. However, correcting entries are also required to put the changes through the Comprehensive Income and Expenditure Accounts and the Movement in Reserves Statement, as well as through the Housing Revenue Accounts.

The movements to the primary statements are set out below. The Notes to the Accounts and Housing Revenue Account Statements are amended in line with these changes.

	2011/12 Statements	Adjustment Made	2012/13 Statements
	£'000	£'000	£'000
Movement in Reserves Statement 2011/12 Transactions			
(Surplus) or deficit on provision of services:	4.004	(0)	4.000
- General Fund Balances	1,091	(2)	1,089
- Housing Revenue Account	56,665	(898)	55,767
Other Comprehensive Income and Expenditure: - Total Unusable Reserves	1,890	920	2,810
- Total Offusable Neselves	1,090	920	2,010
Total Movement		20	
			_
Comprehensive Income and Expenditure Statement			
2011/12 Transactions			
Expenditure:			
- Central Services to the Public	6,026	(6)	6,020
- Planning Services	2,024	11	2,035
- Highways and Transport Services	76	(7)	69
- Local Authority Housing (HRA)	10,251	(898)	9,353
Other Comprehensive Income and Expenditure:			
- Surplus/deficit on revaluation of PPE	(1,673)	933	(740)
- Impairment losses charged to Revaluation Reserve	601	(13)	588
Total Movement		20	

	2011/12	Adjustment	2012/13
	Statements	Made	Statements
	£'000	£'000	£'000
Balance Sheet Unusable Reserves Revaluation Reserve Balance at 1 April 2011 Movement in Year	(2,459)	51	(2,408)
	(557)	891	334
Balance at 31 March 2012  Capital Adjustment Account  Balance at 1 April 2011  Movement in Year  Balance at 31 March 2012	(3,016) (108,242) 58,613 (49,629)	(51) (891) (942)	(2,074) (108,293) 57,722 (50,571)
Total Movement		-	

3. Some short-term investments with a remaining life of less than three months at 31 March 2012 were included in cash and cash equivalents rather than in short-term investments in the 2011/12 Accounts. This treatment has been reviewed and as the investments were originally for a period in excess of three months they do not meet the definition for 'cash equivalent' investments. Correcting this affects the Balance Sheet and the Cash Flow analysis. The Notes to the Accounts are amended in line with these changes.

	2011/12	Adjustment	2012/13
	Statements	Made	Statements
	£'000	£'000	£'000
Balance Sheet Short term Investments Cash and Cash Equivalents	12,174	3,000	15,174
	4,775	(3,000)	1,775
Total Movement		-	

## 1. Accounting Policies

#### i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

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

## ii. 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.

## 1. Accounting Policies continued ......

## iii. 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.

## iv. 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 receivable on investments and payable on borrowings is accounted for respectively as
  income and expenditure on the basis of the effective interest rate for the relevant financial
  instrument rather than the cash flows fixed or determined by the contract.
- Where 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.

## 1. Accounting Policies continued ......

## v. 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 highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with 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.

#### vi. 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.

## vii. Capital Receipts

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

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

## viii. 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.

# ix. 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.

1. Accounting Policies continued ......

#### x. 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 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.

## 1. Accounting Policies continued ......

## xi. 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 on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, 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.

## xii. 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 such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. A calculation is 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 or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

#### (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.

- 1. Accounting Policies continued .....
- xii. Employee Benefits continued .....
- (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:

**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.

## 1. Accounting Policies continued .....

## xii. Employee Benefits continued .....

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 41 to the Core Financial Statements.

#### xiii. Events After the Balance Sheet Date

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

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

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

## xiv. 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.

## 1. Accounting Policies continued .....

#### xv. Financial Instruments

## (a). Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and 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. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For short-term borrowings and those from the PWLB this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year 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 recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or within the Financing and Investment Income and Expenditure area of the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

## 1. Accounting Policies continued .....

#### xv. Financial Instruments continued ......

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

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the 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 (fixed or determinable payments) or fair value falls below cost, the asset is 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.

#### xvi. 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
- 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.

## 1. Accounting Policies continued ......

## xvi. Government Grants and Contributions continued .....

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.

## xvii. Intangible Assets

Expenditure on non-monetary 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 area of 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.

## xviii. Interest in Companies and Other Entities

The Council has a small share-holding (£2,000) in Veritau North Yorkshire Limited which is a private limited company. Veritau Ltd owns 50% of the share capital and five district councils, one of which is Selby District Council, own 10% each. Due to the value involved this does not require the Council to prepare Group Accounts.

## xix. 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 of Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

## 1. Accounting Policies continued ......

## 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. Selby, Scarborough and Ryedale have entered into a partnership to jointly procure goods and services.

## xxi. Jointly Controlled Operations and 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.

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

#### xxii. 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 substantially 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). The Council as Lessee

**Finance Leases -** Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments if lower). The asset recognised is matched by a 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).

## 1. Accounting Policies continued ......

#### xxii. 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.

**Operating Leases -** 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).

#### (b). The Council as Lessor

**Finance Leases -** Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure area of 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 area 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 area of 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.

## 1. Accounting Policies continued .....

#### xxii. Leases continued ......

**Operating Leases -** 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 of 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 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.

## xxiii. 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.

The Cash Flow Statement of the Council includes in Revenue Activities cash flows only the cost of collection allowance. The difference between the net cash collected from NNDR debtors and the amount of NNDR paid to the Government pool is included as a net increase/decrease in other liquid resources.

## 1. Accounting Policies continued ......

## xxiv. 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 2012/13 (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
- Administrative Buildings
- Computer (non staff)
- Telephones / Postage / Copying

- Estimated time spent by staff
- Floor space occupied
- Usage statistics
- Actual usage

#### xxv. Premiums and Discounts

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

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

Prior period adjustments may arise as a result of changes 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.

## xxvii. Private Finance Initiative (PFI) Scheme

The Council entered into a 30 year PFI scheme in 2003 with South Yorkshire Housing Association. This 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.

## 1. Accounting Policies continued .....

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

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.

## xxviii. Property Plant and Equipment

Property, Plant and Equipment are non-current 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.

## 1. Accounting Policies continued .....

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

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

- infrastructure, community assets and assets under construction depreciated historical cost
- council dwellings fair value, determined using the basis of existing use value for social housing (EUV-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.

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 2009/10, 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 there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income & 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.

## 1. Accounting Policies continued .....

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

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

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

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

## 1. Accounting Policies continued ......

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

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 Other Operating Expenditure area in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

The written off value of disposals is not a charge against council tax, as the cost of non-current 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.

#### 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.

## 1. Accounting Policies continued ......

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

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

In addition certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement 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.

#### 2. Accounting Standards that have been Issued but have not vet 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.

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.

43

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

The standards to be adopted in the 2013/14 Code of Practice are IAS 19 Employee Benefits, IAS 1 Presentation of Financial Statements - Other Comprehensive Income, IFRS 7 Financial Instruments disclosures and IAS 17 Deferred Tax. The impacts of these new standards are set out in the following paragraphs.

Under IAS 19 there will be new classes of components of defined benefit cost recognised in the financial statements, namely net interest on and remeaurements of the net defined benefit liability, together with new definitions (or recognition criteria) for service costs, e.g. past service costs, and new recognition criteria for termination benefits.

The adoption of IAS 19 will result in the following changes to the Comprehensive Income and Expenditure Statement: Cost of Services £38k increased cost; Financing and Investment Income and Expenditure £154k increased cost; and under the heading of Other Comprehensive Income and Expenditure -£192k on actuarial (gains) / losses on pension fund assets and liabilities. Overall a net nil impact on the Total Comprehensive Income and Expenditure. There will be no impact on the Pensions Liabilities or Reserve on the Council's Balance Sheet.

The adoption of IAS 1 for the 2013/14 Statement of Accounts will mean grouping together in the Other Comprehensive Income and Expenditure section of the Comprehensive Income and Expenditure Statement those items that will not be reclassified subsequently to the (Surplus)/Deficit on the Provision of Services, and those that will subsequently be reclassified to the (Surplus)/Deficit on the Provision of Services when specific conditions are met. This is a presentational issue only, and will not impact on any of the reported figures in the Comprehensive Income and Expenditure Statement.

IFRS 7 and IAS17 are not expected to have any implications on the Council's Statement of Accounts.

## 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.

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

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

The Council reviewed its assets in accordance with the accounting policy and as a result determined that no properties should be disclosed as investment properties.

#### **Heritage Properties**

The Council reviewed its assets in accordance with the accounting policy and as a result determined that no properties should be disclosed as heritage properties.

#### **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 between £30k and £31k 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.

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

#### **Pensions Liability**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged by North Yorkshire County Council (the Pension Fund Administrators) on behalf of the Council to provide the expert advice about the assumptions that are to be applied.

The effects on the net pensions liability of changes in individual assumptions can be measured. For instance a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £959k, while a 0.1% increase in inflation assumptions would result in an increase in the pension liability of £977k.

However, the assumptions interact in complex ways. During 2012/13 the actuaries advised that the net pensions liability was based on the 2010 actuarial valuation.

#### **Arrears**

At 31 March 2013, the Council had a balance of sundry debtors for £508k. 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 £19k to be set aside as an allowance.

The Council's share of Council Tax debtors has a provision of 24.3%. 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 2012/13. 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:

2011/12		2012/13
Restated		
£'000		£'000
16,034	Housing benefits	16,661
4,700	Council tax benefit	4,777
1,303	Impairments General Fund - Leisure centre	-
57,733	HRA Self-Financing Determination Settlement	-

The Council paid out a total of £21.438m in housing and council tax benefits in 2012/13 (£20.734m in 2011/12), this was funded by government subsidy.

Impairments in 2011/12 related to the reduction in value of the Abbey Leisure Centre following the fire in February 2012, while the HRA Self-Financing Determination Settlement was a one-off payment that the Council had to pay to buy itself out of the Housing Subsidy System.

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

The Statement of Accounts was authorised for issue by the Executive Director s151on 12 September 2013. 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 2013, 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 2013 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 demolition of the former Abbey Leisure Centre commenced in May 2013 to facilitate the building of a new Leisure Centre. As the fire-damaged building was still in existence at 31 March 2013 its value was included in the assets held under Property, Plant and Equipment. The removal of the asset in 2013/14 will result in a cost to the Comprehensive Income and Expenditure Statement of £0.6m.

New arrangements for the retention of business rates come into effect on 1 April 2013. From that date local authorities will assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This will include amounts that were previously paid to central government in respect of 2012/13 and earlier years. Previously such amounts would not have been recognised as income by Selby District Council but would have been transferred to DCLG. The new arrangements are that the Government meets 50% of the cost of the refunds, Selby District Council 40%, with the remaining 10% being met by the North Yorkshire County Council and the North Yorkshire Fire and Rescue Authority.

The Local Authority Accounting Panel (LAAP) recommends that, despite the fact that these amounts relate to 2012/13 and earlier years, authorities should only recognise their share of these liabilities on 1 April 2013 as until then no liability rests with the Council. The Council has no control over the success or otherwise of appeals and it is therefore difficult to accurately assess the likely cost to the Council. Based on costs in previous years a sum of £500k may be payable, of which the liability that will accrue to the Council is £200k.

The Council established Selby and District Housing Trust as a company limited by guarantee, on 29 May 2013. The company is independent from the council although the council may appoint up to 3 trustees to the board of 7 trustees. Subject the necessary consent being obtained, it is the Councils intention to transfer land holdings to the trust for affordable housing development and to support such development through prudential borrowing should this be required.

The Council is currently exploring the potential for improved two tier working with North Yorkshire County Council. The project, which includes a shared Chief Executive/Assistant Chief Executive for Selby/NYCC, provides the opportunity for improved outcomes for citizens, reduced costs and improved capacity and resilience.

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

	General	Housing	Major	Capital	Capital	Movement
	Fund	Revenue	Repairs	Receipts	Grants	in Unusable
2012/13	Balances	Account	Reserve	Reserve	Unapplied	Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non- current assets	(1,374)	(5,292)	-	-	-	6,666
Revaluation losses on Property, Plant and Equipment	-	-	-	-	-	-
Movements in the fair value of Investment Properties	_	_	-	=	-	-
Amortisation of intangible assets	(40)	(18)	-	-	-	58
Capital grants and contributions applied	19	16	-	_	-	(35)
Revenue expenditure funded from capital under statute	(70)	_	_	_	_	70
Soft Loans	(10)	_	_	_	_	-
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)	(333)	-	-	-	334
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	592	5	-	-	-	(597)
Capital expenditure charged against the General Fund and HRA Balances	258	-	-	-	-	(258)
Adjustments primarily involving the Capital Grants Unapplied Account:						
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	-	-	-	-	-	-
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income						
and Expenditure Statement	516	456	-	(972)	-	-
Transfer of insurance receipts	3,450	-	-	(3,450)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	843	-	(843)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	(13)	-	13	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(242)	-	-	242	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	(= :=) -	-	-	(7)	-	7

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

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
-	-	-	-	-	-
-	4,741	(4,741)	-	-	-
-	-	4,320	-	-	(4,320)
1	-	-	-	-	(1)
(1,347)	(368)	-	-	-	1,715
1,004	197	-	-	-	(1,201)
(19)	-	-	-	-	19
2,747	(609)	(421)	(3,331)	-	1,614
	Fund Balances £'0000	Fund Balances £'0000	Fund Balances £'000 Revenue Account £'000 Reserve £'000	Fund Balances £'000         Revenue £'000         Repairs Reserve £'000         Receipts Reserve £'000           -         -         -         -         -           -         4,741         (4,741)         -         -           -         -         -         -         -           1         -         -         -         -           (1,347)         (368)         -         -         -           1,004         197         -         -         -           (19)         -         -         -         -	Fund Balances £'000         Revenue £'000         Repairs Reserve £'000         Receipts Reserve £'000         Grants Unapplied £'000           -         -         -         -         -         -           -         4,741         (4,741)         -         -         -           -         -         4,320         -         -         -           1         -         -         -         -         -           (1,347)         (368)         -         -         -         -           1,004         197         -         -         -         -           (19)         -         -         -         -         -

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

General	Housing	Major			Movement
Fund	Revenue	Repairs	Capital Receipts	Capital Grants	in Unusable
Balances	Account	Reserve	Reserve	Unapplied	Reserves
Restated	Restated				Restated
£'000	£'000	£'000	£'000	£'000	£'000
(2,322)	(455)	-	-	-	2,777
-	-	-	-	-	-
-	-	-	-	-	_
	(8)	-	-	-	78
7	55	-	-	-	(62)
(400)	(57.700)				57.040
	(57,733)	=	(10)	-	57,919
2	-	-	(10)	-	8
(1,942)	(139)	-	-	-	2,081
479	9	-	-	-	(488)
106	478	-	-	-	(584)
-	-	-	-	-	-
		-	-	-	-
2,755	156	-	(2,911)	-	-
-	-	-	2,393	-	(2,393)
-	(6)	-	6	-	-
(117)	_	_	117	-	_
-	-	-	(6)	-	6
	(2,322) - (70) 7 (186) 2 (1,942) 479 106	Balances Restated £'000  (2,322) (455) (70) (8) 7 55  (186) (57,733) 2 -  (1,942) (139)  479 9 106 478  2,755 156 (6)	Balances Restated £'000         Account Reserve Restated £'000         Reserve £'000           (2,322)         (455)         -           -         -         -           (70)         (8)         -           7         55         -           (186)         (57,733)         -           2         -         -           (1,942)         (139)         -           479         9         -           106         478         -           -         -         -           2,755         156         -           -         -         -           -         -         -	Balances Restated £'000         Account Restated £'000         Reserve £'000         Reserve £'000           (2,322)         (455)         -         -           -         -         -         -           (70)         (8)         -         -           (186)         (57,733)         -         -           2         -         -         (10)           (1,942)         (139)         -         -           479         9         -         -           106         478         -         -           -         -         -         -           2,755         156         -         (2,911)           -         -         -         2,393           -         (6)         -         6           (117)         -         -         117	Balances Restated £'000         Account Restated £'000         Reserve £'000         L'000         £'000           (2,322)         (455)         -

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

	General	Housing	Major	Capital	Capital	Movement
	Fund	Revenue	Repairs	Receipts	Grants	in Unusable
2011/12	Balances	Account	Reserve	Reserve	Unapplied	Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
Adjustments primarily involving the Major Repairs Reserve:						
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)
Adjustments primarily involving the Financial Instruments Adjustment Account:						
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
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 41)	(1,577)	(319)	-	-	-	1,896
Employer's pensions contributions and direct payments to pensioners payable in the year	1,220	284	-	-	-	(1,504)
Adjustments primarily involving the Collection Fund Adjustment Account:						
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	(1,610)	(55,681)	(871)	(411)	-	58,573

## 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-11	Transfers Out	Transfers In	Balance at 31-Mar-12	Transfers Out	Transfers In	Balance at 31-Mar-13	See Notes
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	Below
General Fund								
Access Selby	-	-	(263)	(263)	250	(425)	(438)	8.1
Building Repairs	(345)	14	(130)	(461)	28	(130)	(563)	8.2
Business Rates Equalisatio	-	-	-	-	-	(300)	(300)	8.3
Car Loan Bonds	(5)	-	-	(5)	-	-	(5)	8.4
Carried Fw'd Budgets	(948)	948	(857)	(857)	857	(906)	(906)	8.5
Commutation Surplus	(6)	1	-	(5)	1	-	(4)	8.6
Contingency	(150)	-	(403)	(553)	-	-	(553)	8.7
Discretionary RR Fund	-	-	-	-	-	(300)	(300)	8.8
District Election	(70)	69	(36)	(37)	-	(30)	(67)	8.9
ICT Replacement	(415)	74	(170)	(511)	165	(334)	(680)	8.10
Industrial Units	(42)	-	(9)	(51)	-	(7)	(58)	8.11
NYCC Collaboration	-	-	-	-	-	(250)	(250)	8.12
Pensions Reserve	-	-	(200)	(200)	-	(200)	(400)	8.13
PFI Scheme	(2,427)	352	(348)	(2,423)	363	(363)	(2,423)	8.14
Planning Inquiries	(100)	-	-	(100)	-	-	(100)	8.15
Programme for Growth	(967)	7	(444)	(1,404)	-	(1,112)	(2,516)	8.16
ROS Maintenance	(11)	-	-	(11)	-	-	(11)	8.17
Sherburn Amenity Land	(10)	-	-	(10)	-	-	(10)	8.18
Spend to Save	(553)	455	(152)	(250)	57	(119)	(312)	8.19
Tadcaster Central Area	(483)	9	-	(474)	8	-	(466)	8.20
Transport Renewal Fund	(158)	-	(3)	(161)	164	(3)	-	8.21
Wheeled Bin Hardship	(18)	-	-	(18)	-	-	(18)	8.22
Total	(6,708)	1,929	(3,015)	(7,794)	1,893	(4,479)	(10,380)	
Housing Revenue Accoun	t							
Carried Fw'd	(1,157)	1,157	(1,083)	(1,083)	1,083	(936)	(936)	8.5
Total	(1,157)	1,157	(1,083)	(1,083)	1,083	(936)	(936)	

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

- 8.1. Access Selby is a fund to hold savings achieved to date to provide resources for the delivery of services in future years.
- 8.2. The Building Repairs reserve has been created to fund repairs and improvements to the Corporate Buildings, Depots and Leisure Centres.
- 8.3. The Business Rates Equalisation reserve is to provide protection should the Council suffer early losses before the funding safety net is reached.
- 8.4. The Car Loans Bond reserve exists to cover the potential event that an employee defaults on the repayment of their car loan.
- 8.5. A reserve to provide resources to fund budgets carried forward into 2013/14 for schemes which have been delayed from 2012/13.
- 8.6. The Communitation Reserve holds the 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. The Discretionary RR Fund has been created to meet the costs of the new policy.
- 8.9. To spread the cost of funding expenditure on the District Elections every 4 years.
- 8.10. The ICT Replacement reserve is to fund the purchase new computer equipment and upgrade of systems.
- 8.11. To hold funds paid by industrial unit tenants for repairs and maintenance.
- 8.12. The NYCC Collaboration reserve has been created to meet implementation costs of the project.
- 8.13. To dampen the impact of future years' employers pensions costs increases.
- 8.14. To hold government grant and SDC contributions to pay for the housing PFI project .
- 8.15. To fund costs associated with Planning Inquiries.
- 8.16. The Programme for Growth reserve provides funds for capital or 'one-off' revenue projects.
- 8.17. The ROS Maintenance reserve holds funds received through S106 agreements for recreation and open spaces maintenance.
- 8.18. Balance of budget required for works on land at Sherburn undertaken during 1996.
- 8.19. The Spend to Save reserve provides 'up front' investment for initiatives that generate revenue budget savings.
- 8.20. The Tadcaster Central Area reserve has been created to provide funds for its redevelopment.
- 8.21. Following a review the balance on the Transport Renewal Fund was transferred to the ICT replacement reserve.
- 8.22. The Wheeled Bins Hardship Fund provides bins for those on low income/pensions who cannot afford to purchase.

## 9. Other Operating Expenditure

2011/12 £'000		2012/13 £'000
1,441 117 (802)	Payments of Precepts to Parishes Levies payable (Drainage Boards) Contribution of Housing Capital Receipts to Government Pool (Gain) / Loss on Disposal of Non-Current Assets (Gain) / Loss on Disposal of Intangible Assets	1,442 1,461 242 (610)
2,141	Total	2,535

## 10. Financing and Investment Income and Expenditure

2011/12 £'000		2012/13 £'000
46 2,467 (1,719)	Interest Payable on Debt Interest Element of Finance Leases Pensions Interest Costs Expected Return on Pensions Assets Investment Interest Income	2,483 42 2,369 (1,482) (328)
1,264	Total	3,084

## 11. Taxation and Non-Specific Grant Income

2011/12 £'000		2012/13 £'000
(6,267)	Council Tax	(6,300)
(4,012)	Non-domestic Rates Redistribution	(4,705)
(1,240)	Revenue Support Grant	(91)
(60)	Local Services Support Grant	(114)
(564)	Non Service Related Government Grants	(1,069)
(62)	Recognised Capital Grants and Contributions	(3,466)
(12,205)	Total	(15,745)

#### 12. 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 non-current 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 EQUIPMEN	AND EQUIPMEN	T			
		Other					Vehicles	Total	Leased Vehicles	
	Council	Land and	Assets under	Surplus	Infra-	Community	Plant &	Valued	& Equipment	
2012/2013	Dwellings £'000	Buildings	Construction	Assets	structure	Assets	Equipment	Assets	0,000	Total £'000
Tangible Assets	2		2	2	2	1	2	2	2	1
Cost or Valuation at 31 March 2012	96,785	19,252	75	302	298	198	4,946	121,856	3,040	124,896
Adjustment to opening balance	(63)	63	•						(704)	(704)
Movement in 2012/2013 Additions	4,336	628	167	1	1	,	136	5,267	345	5,612
Transfers	1		1	1	1	1	1			1
Revaluation increases/ (decreases) recognised in the Revaluation Reserve		222	ı	ı		1		222	1	222
revaluation increases) (decreases) recognised in the (Surplus)/Deficit on the Provision of Services Derecognition - disposals	(3,538)	12	1 1	<del>-</del> ,			- (1)	(3,525) (339)		(3,525)
Value as at 31 March 2013	97,182	20,177	242	303	298	198	5,081	123,481	2,681	126,162
Accumulated Depreciation and Impairment at 31 March 2012	(10)	(3,847)	(2)	(183)	(69)	(34)	(4,096)	(8,246)	(1,307)	(9,553)
Adjustment to opening balance	ı	1	1	1	ı	,	ı	ı	558	558
Movement in 2012/2013 Depreciation for the Year Depreciation written out to	(1,155)	(374)	1	(1)	(25)	(2)	(230)	(1,787)	(404)	(2,191)
the Revaluation Reserve	1	•	1	1	1	•	1	1	1	•
inpaintent bases (tevelsals) recognised in the Revaluation Reserve		(236)	1	,	1		1	(236)	1	(236)
Impairment losses/(reversals) recognised in the (Surplus)/ Deficit on the Provision of Services Derecognition - disposals	(475)	(492)		(11)	, ,		, ,	(978)	1 1	(978)
Other movements in Depreciation and Impairment		1	ı	•	ı		ı			. ,
Value as at 31 March 2013	(1,636)	(4,949)	(2)	(195)	(94)	(9E)	(4,326)	(11,243)	(1,153)	(12,396)
Net Book Value	07.0	000 11	7	00	200	760	727	000	4 0 0	0.74
at 31 March 2012	96,775	15,405	689	119	229	164	850	113,610	1,733	115,343
	,	,						,	,	,

## 12. Property, Plant and Equipment continued .....

Movement on Fixed Assets continued .....

					PROPERTY PLANT AND EQUIPMENT	AND EQUIPMENT	_			
		Other					Vehicles	Total	Leased Vehicles	
	Council	Land and	Assets under	Surplus	Infra-	Community	Plant &	Valued	& Equipment	
2011/12	Dwellings	Buildings	Construction	Assets	structure	Assets	Equipment	Assets		Total
	€,000	£'000	€,000	£'000	£,000	£'000	£'000	£,000	£,000	£,000
Tangible Assets										
Cost or Valuation	700	000		000	C	000	000	7	C C	000
at 31 March 2011	92,400	13,032	5,429	176	282	98.	4,038	119,962	3,390	123,378
Adjustment to opening balance	1	,			,	,	1	,	(427)	(427)
Movement in 2011/12										
Additions	1,663	1,977	17		1	1	312	3,969	7	4,040
Transfers	30	5,341	(5,371)			İ		1		
Revaluation increases/										
(decreases) recognised in	837	218				1		1 052	ı	1 052
Revaluation increases/	t S	27			1	I		,	ı	200,1
(decreases) recognised in										
the (Surplus)/Deficit on the										
Provision of Services	(1,063)	- 070	1	- 0	1		. 5	(1,063)	1	(1,063)
Derecognition - disposals	(139)	(1,316)	1	(629)	,	Î	(4)	(2,084)		(2,084)
Value as at 31 March 2012	96,785	19,252	22	302	298	198	4,946	121,856	3,040	124,896
Accumulated Depreciation										
and Impairment								:		
at 31 March 2011		(1,982)		(175)	(44)	(53)	(3,824)	(6,054)	(733)	(6,787)
Adjustment to opening balance	,		•		•	•	1	•	1	•
Movement in 2011/12										
Depreciation for the Year	(1,130)	(298)		(1)	(25)	(2)	(256)	(1,715)	(415)	(2,130)
Depreciation written out to the Revaluation Reserve	,	(57)	,	,	,	,	,	(57)	,	(57)
Impairment losses/(reversals)										<u> </u>
recognised in the Revaluation										
Reserve	1		,		1		,		1	
Impairment losses/(Tevelsals)										
Deficit on the Provision of										
Services	(10)	(1,510)	(7)	(7)	,	,	(16)	(1,550)	(159)	(1,709)
Derecognition - disposals	-				,	i		_		~
Other movements in Depreciation and Impairment	1 120	,	,	,	,	,	,	1 129	ı	1 120
	1, 123		1			1		67,1	,	1,120
Value as at 31 March 2012	(10)	(3,847)	(7)	(183)	(69)	(34)	(4,096)	(8,246)	(1,307)	(9,553)
Net Book Value										
at 31 March 2012	96,775	15,405	89	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

#### 13. Depreciation Methodologies

Depreciation is generally provided on all non-current assets other than freehold land, and is charged from the date of purchase up to the date of disposal. Enhancements to the Council housing 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)
Buildings	
Council Dwellings - Traditional Construction	60
Council Dwellings - Non-Traditional Construction	20 - 40
Garages	15
Operational Buildings	15 - 60
Non-Operational Buildings	30 - 55
Other Assets	
Vehicles, Plant & Equipment	3 - 10

## 14. 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 2013, 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 £11.826m the table analyses these schemes which are approved to proceed but are not yet contracted:

	Expenditure approved and contracted at 31-Mar-13	Expenditure approved to proceed but not contracted at 31-Mar-13	Period of Investment
	£'000	£'000	
Equipment & IT Software Home Improvement & Repair Grants Modernisations to HRA land & buildings	- - -	718 1,080 10,028	1-3 years 1-3 years 1-3 years
Total	-	11,826	

#### 15. 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. No revaluation is undertaken in relation to Vehicles, Plant, Furniture and Equipment.

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.

		Other	
	Council	Land and	
	Dwellings	Buildings	Total
	£'000	£'000	£'000
Valued at historical cost:	99,652	13,241	112,893
Valued at current value :	95,546	15,228	110,774

## 16. Intangible Assets

	2011/12				2012/13	
Software Licenses	Other Intangible	Total		Software Licenses	Other Intangible	Total
£'000	£'000	£'000		£'000	£'000	£'000
			Balance at start of year			
550	145	695	Original Cost	550	145	695
(396)	(93)	(489)	Accumulated amortisation	(449)	(118)	(567)
154	52	206	Net carrying amount at start of year	101	27	128
154	32	200		_	21	
- (50)	- (25)	- (70)	Expenditure in Year	84	- (40)	84
(53)	(25)	(78)	Amortisation for the year	(42)	(16)	(58)
			Net carrying amount at			
101	27	128	end of year	143	11	154
			Comprising:			
550	145	695	Gross carrying amounts	634	145	779
(449)	(118)	(567)	Accumulated amortisation	(491)	(134)	(625)
101	27	128		143	11	154

#### 16. 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 £18k (£8k 2011/12). 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.

#### 17. Financial Instrument Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments. Notes 20 and 44 provide further information.

	Long	-Term	Cur	rent
	31-Mar-12	31-Mar-13	31-Mar-12 Restated	31-Mar-13
	£'000	£'000	£'000	£'000
Investments				
Loans and receivables Available-for-sale financial assets	4,018 18	6,054 20	15,174 -	9,147 -
Total investments	4,036	6,074	15,174	9,147
Debtors				
Loans and receivables Financial assets carried at contract amounts	263 -	287 -	39 1,794	34 4,943
Total included in Debtors	263	287	1,833	4,977
Borrowings				
Financial Liabilities at amortised cost	(60,299)	(60,299)	(4,772)	(215)
Total included in Borrowings	(60,299)	(60,299)	(4,772)	(215)
Other Long-Term Liabilities				
Finance lease liabilities	(1,395)	(1,140)	(353)	(405)
Total Other Long-Term Liabilities	(1,395)	(1,140)	(353)	(405)
Creditors				
Financial liabilities carried at contract amounts	-	-	(1,680)	(1,033)
Total Creditors	-	-	(1,680)	(1,033)

## 18. Long Term Debtors

	Long	-Term	Current		
	31-Mar-12	31-Mar-13	31-Mar-12	31-Mar-13	
	£'000	£'000	£'000	£'000	
Soft Loans Employee Loans Mortgages - Ex Council Houses Repair Assistance Loans	53	51	7	10	
	20	16	20	14	
	8	2	6	4	
	182	218	6	6	
Total Long Term Debtors	263	287	39	34	

## 19. Short-Term Investments

	Current	
	31-Mar-12 Restated	31-Mar-13
	£'000	£'000
Short-Term Investments	15,174	9,147
Total Short Term Investments	15,174	9,147

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

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

2011/12			2012/13					
Financial Liabilities	Financia	l Assets			Financial Liabilities	Financia	l Assets	
Liabilities at amortised cost £'000	Loans and s £'000	Available- for-sale assets £'000	Total £'000		Liabilities at amortised cost £'000	Loans and s £'000	Available- for-sale assets £'000	Total £'000
822 - -	- - -	- - -	822 - -	Interest Expense Losses on derecognition Impairment Losses	2,524 - -	- - -	- - -	2,524 - -
822	-	-	822	Interest Payable & Similar Charges	2,524	-	-	2,524
-	(305)	(1) -	(306)	Interest income Gains on derecognition	-	(315)	(1) -	(316)
-	(305)	(1)	(306)	Interest & Investment Income	-	(315)	(1)	(316)
-	- - -	(3)	(3) - -	Gains on Revaluation Losses on Revaluation Amounts recycled to the I&E Account after impairment		- - -	- - -	- - -
-	-	(3)	(3)	Surplus arising on the revaluation of financial assets	-	-	-	-
822	(305)	(4)	513	Net gain/(loss) for the year	2,524	(315)	(1)	2,208

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

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 £60.2m, the Sector fair value for the same debt is £50.0m. 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 2013 of 0.95% 3.88% for PWLB borrowing, 1.97% for LGS Stock.
- (b) estimated interest rates of between 1.00% 3.20% for external loans receivable interest for deposits placed with financial institutions;
- (c) in addition mortgages advanced to council tenants under the right to buy, the interest free loan to the voluntary services for the community house project, home improvement loans and employee car loans, which form part of the loans receivable total, 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;

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

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

	31 March 2012		31 March 2013	
	Carrying Fair		Carrying	Fair
	Amount	Value	Amount	Value
	£'000	£'000	£'000	£'000
Financial Liabilities	65,008	61,488	60,515	59,653

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

	31 March 2012		31 March 2013	
	Carrying Fair		Carrying	Fair
	Amount	Value	Amount	Value
	£'000	£'000	£'000	£'000
Financial Liabilities	65,008	73,365	60,515	69,827

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 2012		31 March 2013	
	Carrying Fair		Carrying	Fair
	Amount	Value	Amount	Value
	£'000	£'000	£'000	£'000
Loans and Receivables	(19,494)	(19,426)	(15,525)	(15,566)

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.

#### 21. 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	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance	3	6	17	14	20	20
Purchases in Year	40	40	276	254	316	294
Usage in Year	(37)	(36)	(279)	(260)	(316)	(296)
Closing Balance	6	10	14	8	20	18

## 22. Debtors & Prepayments

31-Mar-12 £'000		31-Mar-13 £'000
354 - - - - 3,119	Amounts falling due in one year: Central Government Bodies Other Local Authorities NHS bodies Public Corporations and Trading Funds Other Entities and Individuals	443 363 - - 6,102
3,473		6,908
(611)	Less Provision for Bad Debts	(713)
2,862	Total	6,195

## 23. Cash and Cash Equivalents

	Balance at	Balance at	Cash
	31-Mar-12	31-Mar-13	Movement
	Restated		
	£'000	£'000	£'000
Cash in hand	1	1	-
Cash at bank / (overdrawn)	1,774	1,384	(390)
Cash Equivalents	-	-	-
Total	1,775	1,385	(390)

## 24. Creditors

31-Mar-12 £'000		31-Mar-13 £'000
(2,374) (154) - - (2,318) (666)	Central Government Bodies Other Local Authorities NHS bodies Public Corporations and Trading Funds Other Entities and Individuals Section 106 Receipts (see note 24.1)	(813) (73) - - (2,022) (503)
(5,512)	Total	(3,411)

#### 24.1. 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-12 £'000	Income £'000	Expenditure £'000	Balance at 31-Mar-13 £'000
Open Space Schemes Health Care Facilities Education Public Transport / Traffic Waste & Recycling	(487) (66) (3) (82) (28)	(24) - - - (1)	188 - - - -	(323) (66) (3) (82) (29)
Total	(666)	(25)	188	(503)

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.

#### 25. Provisions

	Other Provisions £'000	Employers Costs £'000	Total £'000
Balance at 1 April 2011 Additional provisions made in 2011/12 Amounts used in 2011/12 Unused amounts reversed in 2011/12	- - - -	( <b>53)</b> - 53 -	(53) - 53 -
Balance at 31 March 2012	-	-	-
Additional provisions made in 2012/13 Amounts used in 2012/13 Unused amounts reversed in 2012/13	- - -	- - -	- - -
Balance at 31 March 2013	-	-	-

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.

#### 26. 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 27.

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.

2011/12		2012/13	Note
£'000		£'000	
	Usable Reserves		
(2,290)	General Fund	(1,545)	26.1
(8,877)	Earmarked Reserves	(11,316)	26.2
(1,266)	Housing Revenue Account - Core	(1,187)	26.3
(373)	Housing Revenue Account - Access Selby	(504)	26.3
(871)	Major Repairs Reserve	(1,292)	26.4
(505)	Capital Receipts Reserve	(3,836)	26.5
(228)	Capital Grants Unapplied	(228)	26.6
(14,410)	Total	(19,908)	

#### 26.1. 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.

#### 26.2. 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.

## 26.3. Housing Revenue Account

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

## 26.4. Major Repairs Reserve

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

#### 26. Usable Reserves continued ......

#### 26.5. Capital Receipts Reserve

Usable capital receipts are created from the income arising from the sale of non-current assets and other capital income including the sale of intangible assets which are assets that have no physical substance, 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.

#### 26.6. 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.

#### 27. 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 26.

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

2011/12		2012/13	Note
Restated			
£'000		£'000	
	Unusable Reserves		
	Revaluation Balances		
(2,074)	Revaluation Reserve	(1,986)	27.1
2	Available-for-Sale Financial Instruments Reserve	2	27.2
	Adjustment Accounts		
(50,571)	Capital Adjustment Account	(49,570)	27.3
18	Financial Instruments Adjustment Account	17	27.4
(14)	Deferred Capital Receipts Reserve	(7)	27.5
21,853	Pensions Reserve	25,595	27.6
(153)	Collection Fund Adjustment Account	(134)	27.7
(30,939)	Total	(26,083)	

#### 27.1. 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.

#### 27. Unusable Reserves continued ......

#### 27.1. 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.

2011/12		2012/13
Restated		
£'000		£'000
(2,408)	Balance brought forward at 1 April	(2,074)
(740)	Upwards revaluation of assets	(222)
588	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services	236
(152)	Surplus/(Deficit) on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services	14
48 438	Difference between fair value depreciation and historical cost depreciation Accumulated gains on assets sold or scrapped	74 -
486	Amount written off to the Capital Adjustment Account	74
(2,074)	Balance carried forward at 31 March	(1,986)

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

The available-for-sale financial instruments reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- disposed of and the gains are realised.

2011/12 £'000		2012/13 £'000
5	Balance brought forward at 1 April	2
(3)	Upward revaluation of investments  Downward revaluation of investments not charged to the surplus/deficit on the Provision of Services	-
(3)	Total movement on the reserve in Year	-
2	Balance carried forward at 31 March	2

#### 27. Unusable Reserves continued ......

#### 27.3. 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.

Note 7 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.

2011/12		2012/13
Restated £'000		£'000
(108,293)	Balance brought forward at 1 April	(50,571)
4 705	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	0.704
1,725 1,130	Costs associated with depreciation and impairment Transfer to Major Repairs Reserve re HRA depreciation	6,724
57,919	Revenue Expenditure Funded From Capital Under Statute	70
2,081	Transfer from Movement in Reserves on General Fund Balance re disposals	334
62,855		7,128
(486)	Adjusting amounts written out of the Revaluation Reserve	(74)
62,369	Net written out amount of the cost of non-current assets consumed in the year	7,054
(2,393) (1,130)	Capital financing applied in the year: Use of the Capital Receipts Reserve to finance new capital expenditure Use of the Major Repairs Reserve to finance new capital expenditure	(843) (4,320)
(62)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing Application of grants to capital financing from the Capital Grants Unapplied	(35)
(96)	Minimum Revenue Provision - Borrowing	(197)
(392)	Minimum Revenue Provision - Leases	(400)
(584)	Capital expenditure financed from revenue	(258)
(4,657)	Total capital financing applied in the year	(6,053)
10	Soft Loan Adjustment	-
(50,571)	Balance carried forward at 31 March	(49,570)

#### 27. Unusable Reserves continued ......

#### 27.4. 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 2013 will be charged to the General Fund over the next two years.

2011/12 £'000		2012/13 £'000
14	Balance brought forward at 1 April	18
7 (1)	Overhanging Loan Discounts Overhanging Loan Premiums	- (1)
(2)	Soft Loan adjustment	-
4	Total movement on the account in Year	(1)
18	Balance carried forward at 31 March	17

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.

#### 27.5. 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 20 and 21.

2011/12 £'000		2012/13 £'000
(20)	Balance brought forward at 1 April	(14)
6	Principal Repayments in year transferred to the Capital Receipts Reserve	7
(14)	Balance carried forward at 31 March	(7)

#### 27. Unusable Reserves continued ......

#### 27.6. 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.

2011/12 £'000		2012/13 £'000
18,496	Balance brought forward at 1 April	21,853
2,965	Actuarial gains or losses on pensions assets and liabilities Reversal of items relating to retirement benefits debited or credited to the (Surplus)/Deficit on the Provision of Services in the Comprehensive Income and	3,228
1,896	Expenditure Statement Employer's pensions contributions and direct payments to pensioners payable in	1,715
(1,504)	the year	(1,201)
21,853	Balance carried forward at 31 March	25,595

### 27.7. 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.

2011/12 £'000		2012/13 £'000
(116)	Balance brought forward at 1 April	(153)
	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	19
(153)	Balance carried forward at 31 March	(134)

#### 28. 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 amounts 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 'Executive' made up of elected representatives including the Leader of the Council plus up to nine other Members. The data presented in the following table is in a format familiar to the Council.

2040/40	Core	Access	Community	TOTALS
2012/13	£'000	Selby £'000	Selby £'000	£'000
	£ 000	£ 000	£ 000	£ 000
Income				
Contract Income from the Core	0	(9,971)	(410)	(10,381)
Fees, charges and other service income	(11,466)	(4,040)	(25)	(15,531)
Government grants and contributions	(168)	(22,406)	-	(22,574)
Total Income	(11,634)	(36,417)	(435)	(48,486)
Expenditure				
Employees	1,298	5,398	136	6,832
Premises	52	1,288	1	1,341
Transport	12	251	4	267
Supplies & Services	324	7,435	245	8,004
Third Party Payments	1,461	159	-	1,620
Benefit Payments		21,370	-	21,370
Support Services	4	(5)	-	(1)
Contract Payment to Access Selby & TSO	10,381	ı	1	10,381
Gross Expenditure	13,532	35,896	386	49,814
Net Services Expenditure	1,898	(521)	(49)	1,328
Investment Income	(314)			(314)
Interest Payments	3,429			3,429
Reversal of Accounting for Pension adjustments	(763)			(763)
Capital Accounting adjustments	2,653	30		2,683
Contributions to / (from) Reserves	3,290			3,290
Net Expenditure	10,193	(491)	(49)	9,653

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

There is a movement in net services expenditure of -£59.414m between 2011/12 and 2012/13. This is mainly due to the non-recurrence of the large item in 2011/12 - £57.7m for the cost of the Housing Self-Determination legislation.

2011/12	Core	Access Selby	Community Selby	TOTALS
	£'000	£'000	£'000	£'000
Income				
Contract Income from the Core		(3,482)	(328)	(3,810)
Fees, charges and other service income	(3,045)	(11,929)	(28)	(15,002)
Government grants and contributions	(2,105)	(22,062)	-	(24,167)
Total Income	(5,150)	(37,473)	(356)	(42,979)
Expenditure				
Employees	936	6,386	151	7,473
Premises	8	1,523	3	1,534
Transport	14	265	4	283
Supplies & Services	4,179	7,673	188	12,040
Third Party Payments	1,503	21,047	-	22,550
HRA self financing settlement payment	57,733	-	-	57,733
Contract Payment to Access Selby & TSO	3,810	-	-	3,810
Gross Expenditure	68,183	36,894	346	105,423
Net Services Expenditure	63,033	(579)	(10)	62,444
Investment Income	(306)	-	-	(306)
Interest Payments	`816 <sup>°</sup>	_	-	`816 <sup>°</sup>
Reversal of Accounting for Pension adjustments	627	(234)	(2)	391
Capital Accounting adjustments	(53,110)	_	-	(53,110)
Contributions to / (from) Reserves	435			435
Net Expenditure	11,495	(813)	(12)	10,670

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.

2011/12 Restated		2012/13
£'000		£'000
10,670	Net expenditure in the Analysis	9,653
54,986	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 Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	3,892 (7,303)
65,656	Cost of Services in Comprehensive Income and Expenditure Statement	6,242

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

## **Reconciliation to Subjective Analysis**

These tables reconcile 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

	Core, Access	Amounts Not	Amounts Not			
	ళ	Reported	Included	Net	Corporate	Net
2012/13	Community	ţ	ء.	Cost of	Amounts	Position
	6,000	Managem't £'000	CIES £'000	Service £'000	£,000	6,000
Income						
Fees, charges and other service income	(15,531)	•	182	(15,349)	1	(15,349)
Government grants and contributions	(22,574)	•	(67)	(22,641)	(9,445)	(32,086)
Interest Receipts	(314)	1	314	1	(328)	(328)
Income from Council Tax	•	•	,	1	(6,300)	(6,300)
Return on Pension Assets	•	1	,	,	(1,482)	(1,482)
Gain on disposal of Non-current assets/Other Capital Receipts	•	1	1	1	(010)	(610)
Total Income	(38,419)	1	429	(37,990)	(18,165)	(56,155)
Expenditure						
Employee Expenses	690'9	1	402	6,471	1	6,471
Premises	1,341	1	1	1,341	1	1,341
Transport	267	1	10	277	1	277
Supplies & Services	8,004	1	(277)	7,727	1	7,727
Third Party Payments	22,990	1	(1,620)	21,370	1	21,370
Support Service Recharges	(1)	1	~		•	•
Depreciation, amortisation and Impairment	2,683	3,892	471	7,046	•	7,046
Interest Payments	3,429	1	(3,429)	1	4,894	4,894
Precepts & Levies	•	ı	1	ı	2,903	2,903
Payments to the Housing Capital Receipts Pool	1	1	1	1	242	242
Contributions to Reserves	3,290	1	(3,290)	ı	ı	1
Gross Expenditure	48,072	3,892	(7,732)	44,232	8,039	52,271
(Surplus)/Deficit on the Provision of Services	9,653	3,892	(7,303)	6,242	(10,126)	(3,884)

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

Reconciliation to Subjective Analysis continued .....

	Core,	Amounts	Amounts			
	Access	Reported	Included	Net	Corporate	Net
Restated 2011/12	Community	. t	Ë	Cost of	Amounts	Position
	€,000	Managem't £'000	CIES £'000	Service £'000	£,000	£,000
Income						
Fees, charges and other service income	(15,002)	(1)	1	(15,003)	1	(15,003)
Government grants and contributions	(24,167)	•		(24,167)	(5,938)	(30,105)
Interest Receipts	(306)	306	1	•	(306)	(306)
Income from Council Tax	,	•		•	(6,267)	(6,267)
Return on Pension Assets	,	•		•	(1,719)	(1,719)
Gain on disposal of Non-current assets/Other Capital Receipts		•	,	1	(827)	(827)
Total Income	(39,475)	305	-	(39,170)	(15,057)	(54,227)
Expenditure						
Employee Expenses	7,864	(390)		7,474	1	7,474
Premises	1,534	•	1	1,534	ı	1,534
Transport	283	_	1	284	ı	284
Supplies & Services	12,040	1,410		13,450	1	13,450
Third Party Payments	22,550	(1,442)	1	21,108	ı	21,108
Support Service Recharges	1	•	1	•	1	,
HRA Self Financing Settlement Payment	57,733	•		57,733	1	57,733
Depreciation, amortisation and Impairment	(53,110)	56,353	1	3,243	1	3,243
Interest Payments	816	(816)	1	1	3,289	3,289
Precepts & Levies	1	1	1	1	2,851	2,851
Payments to the Housing Capital Receipts Pool	1	•	1	1	117	117
Contributions to Reserves	435	(435)	1	1	ı	1
Gross Expenditure	50,145	54,681	,	104,826	6,257	111,083
(Surplus)/Deficit on the Provision of Services	10,670	54,986	-	65,656	(8,800)	56,856

#### 29. 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.

### 30. 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.

#### 31. Members Allowances

The cost of Members Allowance payments is included within the Corporate and Democratic Core costs and in 2012/13 amounted to £233k (£237k in 2011/12). The 2012/13 figures include the £2k allowances paid to the chair (£2k in 2011/12) and £1k paid to the vice chair (£1k in 2011/12), and a reimbursement of the allowance of £1k paid to Cllr Mark Crane in 2011/12 in respect of his duties as a member of Local Government Yorkshire and Humber. The payments can be allocated as follows:

2011/12 £'000		2012/13 £'000
	Allowances Expenses	230 8
240	Total	238

#### 32. Officers' Remuneration

The following tables set out the remuneration disclosures for Senior Officers whose salary is less than £150k but equal to or more than £50k per year.

			Total		Total
2011/12			Remuneration	l	Remuneration
	Salary	Benefits	excluding		including
	(including	in Kind	pension	Employers	pension
Post	fees &	(car	contributions	pension	contributions
Title	allowances)	allowance)	2011/12	contributions	2011/12
	£'000	£'000	£'000	£'000	£'000
Chief Executive	93	1	94	11	105
Deputy Chief Executive	72	1	73	8	81
Executive Director S151	56	1	57	6	63
Director (MD)	56	1	57	6	63
Director	51	1	52	6	58
Director	51	1	52	6	58
Executive Director	51	1	52	6	58
	430	7	437	49	486

#### 32. Officers' Remuneration continued ......

2012/13	Salary	Benefits	Total Remuneration excluding		Total Remuneration including
Post Title	(including fees & allowances) £'000	in Kind (car allowance) £'000	pension contributions 2012/13 £'000	Employers pension contributions £'000	pension contributions
Chief Executive Deputy Chief Executive	93 72	1	94 73	11 8	105 81
Executive Director S151 Director (MD) Director Director Executive Director	56 56 51 51 51	1 1 1 1	57 57 52 52 52	6 6 6 6	63 63 58 58 58
	430	7	437	49	486

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

## 33. External Audit Costs

The Council's external auditors for 2012/13 are Mazars, in 2011/12 the auditors were the Audit Commission. The Council incurred the following fees relating to the audit of the Statement of Accounts, certification of grant claims and statutory inspections:

2011/12 £'000		2012/13 £'000
98 (8)	Fees due to the External Auditors with regard to external audit services carried out by the appointed auditor.  Rebate on fees	59 (5)
40	Fees paid to the External Auditors for the certification of grant claims and returns.	20
130	Total	74

#### 34. Grant Income

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

2011/12 £'000		2012/13 £'000
	Credited to Taxation and Non-specific Grant Income	
(1,240)	Revenue Support Grant	(91)
` ' '	NNDR Rates Pool	(4,705)
(60)	Local Services Support Grant	(114)
	Non-Service Related Government Grants	
-	Business Rates Deferral Scheme	(3)
(445)	New Homes Bonus	(880)
(119)	Council Tax Reduction Grant	(120)
-	Council Tax New Burdens Grants Homeless Persons Grant	(13)
-	Capital Grants and Contributions	(53)
(7)	Single Capital Pot	_
(55)	Energy Efficiency (Housing Revenue Account)	(16)
-	Insurance Receipt for Abbey Leisure Centre fire	(3,450)
(5,938)	Total	(9,445)
	Credited to Services	
	Other Government Grants:-	
(9,869)	Rent Allowances	(10,007)
(4,744)	Council Tax Benefits	(4,692)
(6,113)	Rent Rebates	(6,548)
(160)	Private Sector/Disabled Facilities Home Improvement Works (General Fund)	(191)
(465)	Housing Benefits Admin & Counter Fraud Grant	(477)
(65)	Homeless Persons Grant	(279)
(278) (174)	Private Finance Initiative Other Small Grants	(278) (149)
(174)	Other official orange	(149)
(21,868)	Total	(22,342)

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	Cur	rent
	31-Mar-12 £'000	31-Mar-13 £'000	31-Mar-12 £'000	31-Mar-13 £'000
Grants Receipts in Advance (Capital Grants)				
Single Capital Pot	-	-	(27)	(4)
Disabled Facilities Grant	-	-	(27)	-
Total	-	-	(54)	(4)

#### 34. Grant Income continued ......

	Long-	Long-Term		Current	
	31-Mar-12 £'000	31-Mar-13 £'000	31-Mar-12 £'000	31-Mar-13 £'000	
Grants Receipts in Advance (Revenue Grants)					
Local Services Grant	-	-	(53)	-	
Total	-	-	(53)	-	

#### 35. 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 34, 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 2012/13 is shown in Note 31.

Some Members are directors and/or trustees of various entities in their own private capacity. However, during 2012/13 the council made no payments to these entities. In all instances grants were made with proper consideration of declarations of interest.

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

#### Officers

In 2012/13 with one exception 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. The son of one senior officer is a manager of a branch of Jewsons, who supply materials to the Council. The total expenditure on materials in the year was £254k, of which £35k was procured from Jewsons. Employee car loans totalling £18k were advanced during the year to officers to enable them to carry out their official duties, £27k was repaid leaving a balance of £30k.

#### 35. 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.

In 2011/12 the internal audit, counter-fraud and information governance services were provided by the North Yorkshire Audit Partnership, with Ryedale District Council as host authority. From 1 April 2012 this service is being provided by Veritau North Yorkshire Limited. The Council has a share-holding of £2k in Veritau North Yorkshire Limited which was acquired when the North Yorkshire Audit Partnership ceased, paid for by the Council's share of the balances remaining in the former partnership.

The North Yorkshire Procurement Partnership provides a purchasing service to the Council. It provides access to purchasing networks and looks for better procurement opportunities and tender prices through group purchasing. The host authority is Scarborough Borough Council. The Council pays £35k pa (half from General Fund and half from the Housing Revenue Account) and expects to recoup these costs through better prices on services purchased.

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 58.

In 2011/12 the Council also paid on behalf of and received from North Yorkshire and York PCT £0.932m for its costs in respect of the joint project to build the new hospital and civic centre. There were no transactions in 2012/13.

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.

2011/12		2012/13	2012/13
Transactions		Transactions	Balance
			Owed
£'000		£'000	£'000
1,410	Parish Precepts	1,442	-
1,441	Internal Drainage Board Levies	1,461	-
1,514	North Yorkshire Pension Fund (Employer Contributions)	1,191	-
124	North Yorkshire waste disposal services	140	12
98	Ryedale District Council (for North Yorkshire Audit Partnership)	-	-
-	Veritau North Yorkshire Limited	92	-
4,587	Total Payments	4,326	12

### Entities controlled or significantly influenced by the Council

The Council is party to a Private Finance Initiative (PFI) scheme with South Yorkshire Housing to build social housing, which will expire in 2035. Further information is disclosed in note 38.

Leisure Services are provided by Wigan Leisure and Cultural Trust (WLCT) on behalf of the Council, for which they receive a management fee. The cost in 2012/13 was £159k.

#### 36. 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.

2011/12		2012/2013	2012/2013
£'000		£'000	£'000
6,407	Opening Capital Financing Requirement		63,141
	Capital investment		
0.700		F 400	
2,788 72	Property Plant & Equipment - Council Owned Property Plant & Equipment - Leased	5,100 345	
1,180	Assets Under Construction	167	
-	Intangible assets	84	
	Revenue Expenditure Funded from Capital Under Statute (REFCUS)		
418	- Grants	322	
	Revenue Expenditure Funded from Capital Under Statute (REFCUS)		
15	- Loans	35	
57,733	Revenue Expenditure Funded from Capital Under Statute (REFCUS) - Housing Self-Financing Determination		
57,733	- Housing Sen-Financing Determination	-	
62,206	Total Capital Investment		6,053
	Sources of finance		
(2,393)	Capital receipts	(843)	
(1,414)	Government grants and other contributions	(2,419)	
(594)	Sums Set Aside from Revenue (Assets/Soft Loans/REFCUS)	(2,446)	
(96)	MRP / Loans Fund Principal	(1,372)	
(392)	MRP - Lease Principal	(401)	(7,000)
(583)	Reduction in lease liability re Leisure & Street Scene Vehicles	(149)	(7,630)
63,141	Closing Capital Financing Requirement		61,564
	Explanation of movements in year		
_	Increase in underlying need to borrow (supported by government financial assistance)	-	
	Increase in underlying need to borrow (unsupported by government		
57,733	financial assistance)	-	
72	Assets acquired under finance leases	345	
(96) (392)	MRP / Loans Fund Principal MRP - Lease Principal	(1,372) (401)	
(583)	Reduction in lease liability re Leisure & Street Scene Vehicles	(149)	(1,577)
(333)		( )	( -, -, -,
56,734	Increase / (decrease) in Capital Financing Requirement		(1,577)

In 2011/12 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. £0.932m was paid on behalf of the PCT and this amount was claimed from them and reimbursed. This project is now completed, although there is a small retention sum to be paid.

#### 36. 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 2012/13 the Council funded £0.357m (£0.433m 2011/12) 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 in 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 had to be accounted for as revenue as there is no increase in non-current assets associated with the payment i.e. no tangible asset was purchased. However, under Section 170(6) of the Localism Act 2011 the scheduled payment was supported by powers to borrow and it therefore became revenue expenditure funded from capital under statute.

#### 37. Leases

#### Authority as a Lessee

#### **Finance Leases**

The Council does not currently have any finance leases in its own right. However its contractor for the Street Scene Contract, Enterprise, has finance leases for the vehicles that are used for delivering the service and as such these assets have to be included in the Council's balance sheet. In addition Wigan Leisure & Cultural Trust who run the leisure service on behalf of the Council, have leased gym equipment and this is also included in the Council's Balance Sheet. The assets were written out of the Council's Balance Sheet in 2011/12 following the fire at the Abbey Leisure Centre, but new equipment has provided at Profiles in 2012/13 pending the replacement of the Leisure Centre.

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

31-Mar-12 £'000		31-Mar-13 £'000
1,733 -	Vehicles, Plant, Furniture & Equipment (Vehicles) Vehicles, Plant, Furniture & Equipment (Equipment)	1,303 242
1,733		1,545

### 37. 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.

31-Mar-12 £'000		31-Mar-13 £'000
353 1,395 199	Finance lease liabilities (net present value of minimum lease payments): Current Non-current Finance costs payable in future years	405 1,140 87
1,947		1,632

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31-Mar-12	31-Mar-13	31-Mar-12	31-Mar-13
	£'000	£'000	£'000	£'000
Not Later Than One Year	392	442	353	405
Later than One Year and not later than five years	1,555	1,190	1,395	1,140
Later than Five years	-	-	-	-
	1,947	1,632	1,748	1,545

# **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 2012/13 was £105k (2011/12 £105k).

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

31-Mar-12 £'000		31-Mar-13 £'000
	Not later than one year Later than one year and not later than five years Later than five years	102 11 -
218		113

### 37. Leases continued ......

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

31-Mar-12		31-Mar-13
£'000		£'000
105	Minimum lease payments	105
-	Contingent rents	-
-	Sub leave payments (receivable)	-
105		105

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

31-Mar-12 £'000		31-Mar-13 £'000
4	Central Services to the Public Environmental and Regulatory Services Local Authority Housing (HRA)	23 4 78
105		105

# **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 was £93k (£93k in 2011/12).

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

31-Mar-12 £'000		31-Mar-13 £'000
	Not later than one year Later than one year and not later than five years Later than five years	33 65 -
134		98

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.

### 38. 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 2012/13 the authority was committed to making payments of £363k. The contract expires in 2035.

### 39. Impairment Losses

During 2012/13 the Council has recognised impairment losses of £1.214m (a restated £1.709m in 2011/12) which are shown by class of asset in notes 12 and 15. Of this total £0.236m (£0m in 2011/12) was offset against previous revaluation gains in the revaluation reserve and the balance of £0.978m (£1.709m in 2011/12) was charged to the appropriate service in the Comprehensive Income & Expenditure Statement.

In 2011/12 there was one large impairment charge of £1.303m relating to the revaluation of the Abbey Leisure Centre on a Depreciated Replacement Cost. The impairment charges in 2012/13 are spread over a large number of assets.

# 40. Termination Benefits

The Council terminated the contract of one employee in 2012/13 (37 in 2011/12), incurring liabilities of £3k (£571k in 2011/12). 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		
£'000 £'000		2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12 £'000	2012/13 £'000	
0	-	20,000	7	-	21	1	28	1	258	3
20,001	-	40,000	1	-	5	-	6	-	155	-
40,001	-	60,000	1	-	2	-	3	-	158	-
60,001	-	80,000	-	-	-	-	-	-	-	-
80,001	-	100,000	-	-	-	-	-	-	-	-
	Total		9	-	28	1	37	1	571	3

### 41. 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:

2011/12 £'000	North Yorkshire Pension Fund	2012/13 £'000
	Comprehensive Income and Expenditure Statement	
820 - 328	Net Cost of Services:	819 - 9
2,467 (1,719)	Financing and Investment Income and Expenditure: interest cost expected return on assets in the scheme	2,369 (1,482)
1,896	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	1,715
2,965	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement actuarial (gains) and losses	3,228
4,861	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	4,943
	Movement in Reserves Statement	
(1,896)	reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	(1,715)
	Actual Amount charged against the General Fund Balance for pensions in the year:	
1,504	employers' contributions payable to the scheme	1,201

### 41. Retirement Benefits continued ......

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

The cumulative amount of actuarial gains and losses recognised in the Other Comprehensive Income and Expenditure area of the Comprehensive Income and Expenditure Statement to 31 March 2013 is a loss of £3.228m (£2.965m loss in 2011/12) as a result of changes to the scheme benefits and an increase in liabilities.

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

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

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

2011/12 £'000		2012/13 £'000
(45,428) (820) (2,467) (308) - (1,648) (328) 2,259	Opening Balance at 1 April Current Service Cost Interest Cost Contributions by Scheme Participants Past Service Costs Actuarial (Gains) and Losses Curtailments Benefits Paid	(48,740) (819) (2,369) (286) - (6,090) (9) 1,891
(48,740)	Closing Balance at 31 March	(56,422)

Reconciliation of fair value of the scheme assets:

2011/12		2012/13
£'000		£'000
26,932	Opening Balance at 1 April	26,887
1,719	Expected Rate of Return	1,482
(1,317)	Actuarial Gains and (Losses)	2,862
1,504	Employer Contributions	1,201
308	Contribution by Scheme Participants	286
(2,259)	Benefits Paid	(1,891)
26,887	Closing Balance at 31 March	30,827

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 £4.344m (£402k in 2011/12).

### 41. Retirement Benefits continued ......

### **Scheme History**

Surplus / (Deficit) in the Scheme	(20,365)	(24,749)	(18,496)	(21,853)	(25,595)
Present Value of Liabilities	(37,505)	(51,799)	(45,428)	(48,740)	(56,422)
Fair Value of Assets	17,140	27,050	26,932	26,887	30,827
	2008/09	2009/10	2010/11	2011/12	2012/13
	£'000	£'000	£'000	£'000	£'000

The liabilities show the underlying commitments that the Council has in the long-run to pay post employment (retirement) benefits. The total liability of £56.422m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £25.595m. However, statutory arrangements for funding the deficit mean that the financial position of the Council 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 2014 are £1.234m.

### **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.

# 41. Retirement Benefits continued ......

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

The main assumptions used in their calculations have been:

	At
	31-Mar-13
Long-term expected rate of return on assets in the scheme	
· ·	7.00%
• •	2.80%
	3.90%
	5.70%
	0.50%
	7.00%
Other	7.0070
Longevity at 65 for current pensioners (in years):	
Men	22.6
Women	25.3
Longevity at 65 for future pensioners (in years):	
	24.4
	27.2
WOINCH	21.2
Rate of CPI inflation	2.40%
	4.15%
	2.40%
•	4.20%
Take up of option to convert annual pension into retirement lump sum	50.00%
	Men Women  Longevity at 65 for future pensioners (in years): Men Women  Rate of CPI inflation Rate of increase in salaries Rate of increase in pensions Rate for discounting scheme liabilities

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

At 31-Mar-12 %		At 31-Mar-13 %
70.8%	Equity Investments	64.0%
20.2%	Government Bonds	13.1%
8.2%	Other Bonds	10.1%
0.0%	Property	3.7%
0.8%	Cash/Liquidity	0.4%
0.0%	Other Assets	8.7%
100.0%		100.0%

### 41. Retirement Benefits continued ......

### **History of Experience Gains and Losses**

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities as at 31 March 2013:

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Differences between the expected and actual return on assets Experience gains and losses on	(66.0)	31.8	(5.6)	(4.9)	(9.3)
liabilities	-	-	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.

### 42. Contingent Liabilities

- 1. The Council faces potential claims for costs in respect of the following planning matters:-
  - (a) Saxton Holme
  - (b) Gateforth mushroom site

The estimated minimum costs associated with these potential liabilities is £130k.

- 2. A group of property search companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims at present is £115k plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.
- 3. Trees on Portholme Road are causing damage which may result in a culvert collapsing. It is possible that a grant may be available to support remedial action but the estimated full cost is £150k.

# 43. Contingent Assets

No contingent assets have been identified.

### 44. 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 internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk at 31 March 2013 in relation to its investments in banks and building societies of £8.298m 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 2013 that this was likely to crystallise.

### 44. 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.

			Historical	Estimated	Estimated
			experience	maximum	maximum
			adjusted	exposure to	exposure
		Historical	for market	default and	default and
	Amount at	experience	at	uncollect-	uncollect-
	31 Mar		31 Mar	ability	ability
	2013	of default	2013	31 Mar	31 Mar
				2013	2012
	£'000	%	%	£'000	£'000
	(A)	(B)	(C)	(A x C)	(A x C)
Deposits with banks and financial					
institutions	15,202	0	0	0	0
Customers	4,943	1.68	1.05	52	12
				52	12

No credit limits were breached during the reporting period and the Council 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 Council does not generally allow credit for customers. The increase in 30 days debtors from March 2012 is as a consequence of the inclusion in the accounts of the known insurance settlement for the Abbey Leisure Centre fire, which was received in early April 2013. The past due amount can be analysed by age as follows:

At 31-Mar-12 £'000		At 31-Mar-13 £'000
280 -	Less than 30 days 30 - 60 days 60 - 90 days 90 - 120 days over 120 days	4,181 50 196 19 497
2,330		4,943

# 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 money 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.

### 44. 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-12 £'000		At 31-Mar-13 £'000
	Less than one year Between one and two years Between two and five years More than five years	216 - - 60,333
64,837		60,549

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 2013, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

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

At 31-Mar-12 £'000		At 31-Mar-13 £'000
- 253 -	Increase in interest payable on variable rate borrowings Increase in interest receivable on variable rate investments Increase in government grant receivable for financing costs	- 241 -
253	Impact on Surplus of Deficit on the Provision of Services	241
34	Share of overall impact debited to the HRA	28
117	Decrease in fair value of fixed rate investment assets	151
117	Impact on Other Comprehensive Income & Expenditure	151
8,243	Decrease in fair value of fixed rate borrowings liabilities (no impact on Consolidated Income and Expenditure Statement)	8,874

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.

### 45. 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.

### 46. 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.

### 47. Environmental and Regulatory Services

Environmental and Regulatory Services 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 mainly due to the reduction in Community Safety costs of £118k, partly offset by increased costs of waste collection and street cleansing.

### 48. 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.

# 49. Highways and Transport Services

The expenditure and income included within this heading relates to the Council's provision of off street car parking.

# 50. 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 to the introduction of the HRA self financing which superceded the payment of negative housing subsidy to central government.

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.

# 51. 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.

### 52. 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.

### 53. 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.

### 54. Interest Payable and Similar Charges

2011/12 Charge £'000		2012/13 Charge £'000
	External Interest Charges - Borrowing External Interest Charges - Leases	2,483 42
822	Total Interest	2,525

### 55. 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 2012/13 was £314k (2011/12 £302k). 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 (2011/12 £1k) which is credited to the Housing Revenue Account and employee car loans £2k (2011/12 £3k) which is credited to the General Fund. These together with interest of £11k on final settlement of the Civic Centre settlement and the balances interest gives a total interest figure of £328k (2011/12 £306k).

### 56. 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.

2011/12 £'000		2012/13 £'000
, , ,	Council Tax Precept for Year (District & Parish) (Surplus)/Deficit payable/repayable in year	(6,260) (59)
(6,230) (37)	Total Council Tax payable to Council in Year Movement in Collection Fund Adjustment Account in year	(6,319) 19
(6,267)	Council Tax Due to Council	(6,300)

### 57. Capital Expenditure Financed from Revenue

The capital programme can be financed from a variety of sources, one of which is revenue. In 2012/13 £2,446k of capital expenditure was funded from revenue (£593k in 2011/12). Of this £2,177k was funded from the Housing Revenue Account (£478k in 2011/12). Whilst capital expenditure of £10k was funded from General Fund balances (£10k in 2011/12) and £259k was financed using various General Fund reserves (£105k in 2011/12). 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) (£10k in 2011/12), the costs for which are contained within the net cost of services.

### 58. 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 2012/13 Selby District Council has paid a management fee of £53k (£41k in 2011/12) 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 2013 as £10k of which £2k belongs to Selby (31 March 2012 reserve of £10k with Selby's share being £2k).

# 59. Information on Assets Held

	Assets	31-Mar-13
(number)		(number)
	Council Dwellings - HRA & GF	
529	Houses and Bungalows - 1 Bedroom	528
895	- 2 Bedroom	892
1,087 31	- 3 Bedroom	1,075
1	- 4 Bedroom - 5 Bedroom	37 2
		_
227	Flats, Bedsits and Maisonettes - 1 Bedroom	225
378 2	- 2 Bedroom	380 1
_	- 3 Bedroom	'
2	Multi Occupied Dwellings (Hostels)	2
3,152	Total	3,142
0,102		0,142
	Car Parks, Parks and Open Spaces	
13	Car Parks	14
21	Playgrounds	21
2	Sports Fields	2
36	Total	37
30	Total	31
	Vehicles, Plant and Equipment	
	The major items are as follows:	
3	Environmental Health Vehicles & Plant	2
30	Leased Vehicles (Operated by Enterprise)	30
38	CCTV Cameras	38
71	Total	70
	Operational Buildings	
	The major items are as follows:	
1	Civic Centre	1
2	* Sports Centres	2
2	Depots	2
4	Public Conveniences	4
13	Community Centres	13
22	Total	22

<sup>\*</sup> Due to a very serious fire in February 2012, the Abbey Leisure Centre is no longer operational. The Council has decided to demolish and build a new Leisure Centre.

# 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.

2011/12		2012/13	
Restated £'000		£'000	Notes
	<u>Expenditure</u>		
2,551	Repairs & Maintenance	2,144	
2,641	Supervision & Management	2,334	
48 3,325	Rents, rates, taxes and other charges  Negative housing revenue account subsidy payable	42 -	1
1,301	Depreciation and Impairment of non-current assets	5,338	2
(839)	Exceptional Item - Reverse Impairment of Council Dwellings		
40 77	Debt Management costs  Movement in the allowance for bad debts	5 73	3
57,733	Exceptional Item - REFCUS re HRA Self-Financing	-	13
66,877	Total Expenditure	9,936	
	<u>Income</u>		
(10,485)	Dwelling rents	(11,328)	4
	Non-dwelling rents	(11,320)	5
(461)	Charges for Services and Facilities	(115)	
(361)	Contributions towards expenditure	(392)	4
_	Housing Revenue Account Subsidy Receivable	(14)	1
(11,418)	Total Income	(11,968)	
	Net Cost of HRA Services as included in the Comprehensive		
55,459	Income & Expenditure Statement	(2,032)	
191	HRA services share of Corporate & Democratic Core	150	
18	HRA Share of other amounts included in the whole authority Cost of Services but not allocated to specific services	4	
55,668	Net (Income) / Cost for HRA Services	(1,878)	
	HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(11)	(Gain) or loss on sale of HRA non-current assets	(110)	
27 (43)	Interest payable and similar charges Interest and investment income	2,370	
181	Pensions interest cost and expected return on pensions assets	(38) 355	
(55)	Capital grants and contributions receivable	(15)	
55,767	(Surplus) / Deficit for the year on HRA services	684	

# MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2011/12		2012/13	
£'000		£'000	Notes
(1,671)	Balance on the HRA at the end of the previous year	(1,639)	
55,767	(Surplus) / Deficit for year on the HRA Income and Expenditure Statement.	684	
(55,681)	Adjustments between accounting basis and funding under statute	(609)	
86	Net (Increase) / Decrease before transfers to or from reserves	75	
(54)	Transfers to / (from) reserves	(127)	
32	(Increase) / Decrease in year on the HRA	(52)	6
(1,639)	Balance on the HRA at the end of the current year	(1,691)	

# NOTE TO THE MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2011/12		2012/13	
£'000		£'000	Notes
	Adjustments between accounting basis and funding under statute		
(4)	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.  Difference between any other item of income and expenditure	-	
- 11	determined in accordance with the Code and determined in accordance with statutory HRA requirements.  Gain or (loss) on sale of HRA non-current assets.	- 110	
478 (35)	Capital expenditure funded by the Housing Revenue Account HRA share of contributions to / (from) the Pensions Reserve	2,177 (170)	
871 (57,002)	Transfer to / (from) Major Repairs Reserve Transfer to / (from) the Capital Adjustment Account	2,564 (5,290)	7 8
(55,681)	Total Adjustments between accounting basis and funding under statute	(609)	
	Transfers to or (from) reserves		
(74) 20	Transfer to / (from) Housing Carry Forward Budget Reserve Transfer to / (from) ICT Reserve	(147) 20	
(54)	Total Transfers to / (from) reserves	(127)	

# 1. Housing Revenue Account (HRA) Self Financing

During 2011, the Government announced it wished to make significant changes to the funding of the HRA. The aim of the government reforms was to enable Councils to manage their housing stock for the benefit of local residents in a transparent, accountable and cost effective way. In practical terms, the self financing initiative put an end to the housing subsidy system and put authorities in a position where stock can be supported from income raised within the HRA. New arrangements were introduced from 1 April 2012, and in future the HRA will be a self sufficient ring fenced account which will retain and use rental income. Remaining subsidy payable to the government in 2012/13 is analysed below:

2011/12 £'000		2012/13 £'000
1,466	Allowance for Management	-
3,125	Allowance for Maintenance	-
2,000	Allowance for Major Repairs	-
431	Charges for Capital	-
-	Rent Rebates	-
-	Other Items of Reckonable Expenditure	-
<b>7,022</b> (10,392) (2)	Guideline Rent Income Interest on Receipts	- - -
(3,372)		-
26 21	Prior Year Subsidy outstanding HRA Self Financing Determination Settlement	(14)
	The Continuation of the Co	
(3,325)	Negative Housing Subsidy Payable	(14)

# 2. Depreciation & Impairments

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

2011/12 £'000		2012/13 £'000
	Council Dwellings Other Land and Buildings	1,155 123
1,342	Total	1,278

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

1,342	Total	1,278
	Operational Non-operational	1,259 19
2011/12 £'000		2012/13 £'000

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

The following amounts were charged to the service revenue accounts for impairment and reversal of impairment costs where there has been an increase in value:

2011/12		2012/13
Restated		
£'000		£'000
-	Dwellings	4,013
(40)	Garages	-
3	Ousegate Hostel	(4) 2
4	Edgerton Lodge Hostel	
11	Community Centres	44
(1)	Non-operational Land	(1)
(18)	Other Operational Buildings	6
(41)	Total	4,060

Impairment occurs because something has happened either to the non-current assets, or to the economic environment in which they are used. A review for impairment of a non-current 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 non-current asset may not be recoverable. The Statement of Accounting Policies gives further information.

### 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 £21k was made during the year in respect of rent arrears in 2012/13 (an increase of £47k in 2011/12) and £42k was allocated in respect of Housing Benefit overpayments (£22k in 2011/12). The total rent arrears provision at 31 March 2013 amounted to £89k (£92k 2011/12). In addition, a further provision has been created for general non rent HRA debtors totalling £53k (£30k in 2011/12).

### 4. Income - Dwellings

This is the total rent income due for the year on the housing stock. The average 48 week rent was £75.69 an increase of £5.54 (7.9%) 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. Surplus for the year

It was anticipated that a contribution of £77k would be required from HRA reserves. The actual final year end position resulted in a contribution to HRA reserves of £52k. The impact on the HRA reserve sees the balance increase to £1.691m from £1.639m. The major variances within the HRA total £130k and these are explained in the Explanatory Foreword.

# 7. Major Repairs Reserve

The following is a statement of the movements in this reserve during the financial year 2012/13:

2011/12 £'000		2012/13 £'000
-	Opening Balance	(871)
	Amount transferred to the reserve from the Capital Adjustment Account Amount transferred to / (from) the reserve to the Housing Revenue Account:	(1,272)
(871)	- non-current assets  Debits to the reserve in respect of HRA capital expenditure on: - houses	
1,130		
(871)	Closing Balance	(1,292)

# 8. Capital Adjustment Account

The following is a statement of the movements in the Capital Adjustment Account during the financial year 2012/13:

2011/12		2012/13
Restated		
£'000		£'000
60,145	Balance brought forward at 1 April	116,861
(478)	Capital expenditure finance by revenue	(4,320)
(1,130)	Major Repairs grant applied to capital investment in year	-
199	Non Dwelling Asset Depreciation	
1,130	ransfer to Major Repairs Reserve re depreciation	
(831)	Transfer re impairments	4,013
8	Amortisation of non dwelling assets	18
(55)	Government Grant amortisation	(16)
57,733	REFCUS Expenditure - HRA Self-financing Determination	-
140	Other Movements	258
116,861	Closing Balance at 31 March	118,073

# 9. Housing Revenue Account Non-Current Assets

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

01-Apr-11	31-Mar-12		01-Apr-12	31-Mar-13
£'000	£'000		£'000	£'000
548	768	Land	768	732
95,460	96,775	Council Dwellings	96,775	95,546
1,543	1,373	Other Buildings	1,373	1,261
97,551	98,916	Total	98,916	97,539

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-11 £'000	31-Mar-12 £'000		01-Apr-12 £'000	31-Mar-13 £'000
95,460 1,839 252	96,775 1,889 252	Operational Dwellings Other Land & Buildings Non-operational	96,775 1,889 252	95,546 1,739 254
97,551	98,916	Total	98,916	97,539

### **Vacant Possession Value**

The vacant possession value of the houses within the Housing Revenue Account as at 1 April 2012 was £311.964m (£312.226m at April 2011). 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 £456k (£155k 2011/12) were received by the Housing Revenue Account in 2012/13. The total can be broken down as follows:

2011/12		2012/13
£'000		£'000
	Disposal of Assets:	
148	Houses	456
7	Land	-
155		456
-	Principal Repaid on Housing Advances	-
-	Repayment of discount received on Right to Buy sales	-
155	Total	456

# 11. Capital Expenditure

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

2011/12 £'000		2012/13 £'000		
	Capital expenditure			
-	Vehicles, Plant & Equipment	-		
-	Intangible Assets	-		
- 1,663	Land and Infrastructure Improvements to Council Dwellings	- 4,336		
1,003	Revenue Expenditure Funded from Capital under Statute (REFCUS) - Housing	4,550		
57,733	elf-financing Determination			
59,396	Total	4,336		
	Sources of finance			
(57,733)	Prudential Borrowing	-		
` ,	Revenue contributions	(3,450)		
	Major Repairs Reserve	(871)		
(55)	Other Grants	(15)		
(59,396)	Total	(4,336)		

### 12. Rent Arrears

During the year 2012/13 rent arrears as a proportion of gross rent income have increased to 2.36% (£269k) from 2.31% (£245k) in 2011/12. The arrears figure includes Housing Benefit overpayments.

2011/12 £'000		2012/13 £'000
245 6 (190)	Rent Arrears at 31 March Hostel Arrears Rent Credits Hostel Credits	269 4 (186) (1)
60	Total	86

# 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. No further expenditure relating to the new system has been incurred in 2012/13.

# 14. Housing Stock

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

	31-Mar-13
	(number)
Houses and Bungalows - 1 Bedroom	528
- 2 Bedroom	892
- 3 Bedroom	1,075
- 4 Bedroom	37
- 5 Bedroom	2
Flats, Bedsits and Maisonettes - 1 Bedroom	225
- 2 Bedroom	380
- 3 Bedroom	1
Multi Occupied Dwellings (Hostels)	2
Total	3,142
	- 2 Bedroom - 3 Bedroom - 4 Bedroom - 5 Bedroom - 1 Bedroom - 2 Bedroom - 2 Bedroom - 3 Bedroom - 3 Bedroom - 3 Bedroom

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.

2011/12 £'000		2012/13 £'000
	HRA Income & Expenditure Statement	
	Current Service Cost Past Service Cost (Gains)	8 -
79	Settlements & Curtailments	4
138		12
596 (415)	Interest Cost Expected Return on Assets in the Scheme	947 (592)
181		355
319	Total charged to the HRA Income & Expenditure Statement	367

# 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.

2011/12 £'000		2012/13 £'000
- 1	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 Street Scene Lease Interest Interest Payable 28 March to 31 March 2012 on loans taken out to make the self-financing settlement payment to the Secretary of State	2,370 - -
27	Total	2,370

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, 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 is not a cost to be borne by HRA Tenants. For 2012/13 the impairment charge is £51.1k (for 2011/12 it was £17.9k).

# THE COLLECTION FUND

2011/12		2012/13	
£'000		£'000	Notes
	Income		
(41,994)	Income from Council Tax (net of benefits and transitional relief) Transfers from General Fund	(42,305)	2
(4,700)	- Council Tax Benefit	(4,641)	
` '	Income collectable from business ratepayers	(36,944)	3
(78,546)	Total Income	(83,890)	
	Expenditure		
45,868	Precepts and demands Business rate	46,416	4
31,731	- Payment to national pool	36,823	3
121	- Costs of collection	121	
	Bad and doubtful debts		5
86	- Write offs	237	
39	- Movement in bad debts provision	-	
425	Contributions - Towards previous year's Collection Fund Surplus	438	
78,270	Total Expenditure	84,035	
(276)	(Surplus) / Deficit for the year	145	
	COLLECTION FUND BALANCE		
(000)		(4.400)	
(863)	Balance Brought Forward	(1,139)	
(276)	(Surplus) / Deficit for the year	145	
(1,139)	Balance Carried Forward	(994)	7

### 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:

	Council Tax Sett	ing		Year-end	Average
			Band D	Band D	Charge
Band	Estimated number of taxable	Ratio	equivalent	equivalent	in year
	Properties after effect of discounts		dwellings	dwellings	
-A	23	5/9	13	14	850.31
Α	7,171	6/9	4,781	4,803	1,020.37
В	6,704	7/9	5,214	5,273	1,190.44
С	6,851	8/9	6,090	6,084	1,360.50
D	4,970	1	4,970	5,033	1,530.56
E F	3,885	11/9	4,748	4,803	1,870.68
F	2,172	13/9	3,137	3,175	2,210.81
G	832	15/9	1,387	1,393	2,550.93
Н	48	18/9	96	94	3,061.12
Total	32,656		30,436	30,672	
	Loss adjustment for anticipated aboves to	a tha haaa			
	Less adjustment for anticipated changes to and losses on collection	o the base	(110)		
			` ,		
	COUNCIL TAX BASE		30,326		

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 (£1,530.56 for 2012/13) 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.

# 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 2013 was £101.924m (£103.495m in 2011/12). The national non-domestic multiplier for the year was 45.8p (43.3p in 2011/12), with a reduction to 45.0p (42.6p in 2011/12) for small businesses. This gives a total sum collectible of £46.681m (£44.813m in 2011/12).

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

2011/12 £'000		2012/13 £'000
44,813	Rates payable for year	46,681
` ,	Less: Exemptions & Allowances Net Variations in Rateable Value Assessments Mandatory & Discretionary Relief Write-Offs, Provision for Bad Debts Interest Paid Transitional Adjustments	(2,068) (1,912) (2,602) (798) (4) (2,474)
31,731		36,823

# 4. Precepts and Demands

2011/12 £'000		2012/13 £'000
6,132	North Yorkshire County Council North Yorkshire Police Authority North Yorkshire Fire & Rescue Authority Selby District Council (including parishes)	32,069 6,203 1,883 6,260
45,868	Total	46,415

### 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.

2011/12 £'000		2012/13 £'000
	Council Tax	
86 (125)	Write-offs during the year Contributions to provisions during the year	237 (237)
(39)	Net (increase)/decrease in provision in year	-
(516)	Balance at 1 April	(555)
(555)	Balance at 31 March	(555)
	National Non Domestic Rates	
131 (327)	Write-offs during the year Contributions to provisions during the year	662 (457)
(196)	Net (increase)/decrease in provision in year	205
(145)	Balance at 1 April	(341)
(341)	Balance at 31 March	(136)

The Council's proportion of these write-offs and bad debt provision are included within note 22 of the Core Financial Statements, and the movement analysis is shown below.

2011/12 £'000		2012/13 £'000
	Write-offs during the year Contributions to provisions during the year	32 (32)
(5)	Net increase/decrease in provision in year	-
(69)	Balance at 1 April	(74)
(74)	Balance at 31 March	(74)

# 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-12 £'000	Movement in 2012/13 £'000	Balance at 31-Mar-13 £'000
Council Tax Debtors Council Tax Prepayments National Non Domestic Rates Debtors National Non Domestic Rates Prepayments	2,352 (827) 1,401 (255)	(26) 172 (695) 82	2,326 (655) 706 (173)
Net	2,671	(467)	2,204

The Council's proportion of the Council Tax debtors and prepayments are included within note 22 of the Core Financial Statements and the movement analysis is shown below.

2011/12 £'000		2012/13 £'000
2000	Council Tax Debtors	2000
262 56	Balance at 1 April Movement in year	318 (3)
318	Balance at 31 March	315
	Council Tax Prepayment	
(116)	Balance at 1 April	(112)
4	Movement in year	23
(112)	Balance at 31 March	(89)

# 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.

2011/12		2012/13
£'000		£'000
(788)	North Yorkshire County Council	(687)
(152)	North Yorkshire Police Authority	(133)
(46)	North Yorkshire Fire & Rescue Authority	(40)
(153)	Selby District Council (including parishes)	(134)
(1,139)	Total	(994)

112

# **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 of

### **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.

### **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.

### **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 it's 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.

# **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.

# **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.

# **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.

#### **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.

#### **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.

#### **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.

# **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.

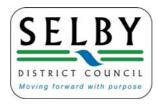
#### **Work in Progress**

The value of work done on an uncompleted project that has not been recharged to the appropriate account at the balance sheet date.

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# Annual Governance Statement 2012/13



# **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 set andards, and that public money is safeguarded and prope or rly accounted for, and used economically, efficiently and effect ively. The Council also has a duty under the Local Gov ernment 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 ov erall 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 process es, and culture and values, by which the authority is directed and controlled and its activities through which it ac counts 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 eliminat e all risk of failure to achiev e policies, aims and objectives; it can, therefore, only provide reas onable and not absolute as surance 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 Following the Local Government Elections the Counc il revised its governance framework, in 2011. The Council has operated a Leader and Executive (Cabinet) Model since May 2011. Offic er structures were also substantially revised in the same year and became operative in July 2011.

#### 3. Selby District Council's Governance Framework

- 3.1 The key elements of the Council 's Governance Framework are as follows:-
  - The Council is part of a Loca I Strategic Partnership (LSP) comprising key stak eholders in the Dis trict. 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 curr ent plan, which was approved by the Execut ive, covers the per iod 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 ou t how the Counc il operates, how
    decisions are made, and the proc
    ensure that these are lawful
    accountable to local people. This
    incor porates the Members'
    Code of Conduct and a number of other locally agreed codes and
    protocols.
  - The Cou ncil's b udget and policy framework is set by the full Council. T he Executive has del egated authority to operate and make decisions within the framework. Some powers are delegated to senior officers.
  - In addition to the Executiv et here are two specific regulator y committees for Licensing and Planning. These have independent powers within their legislative fr amework. Each of these act s within defined terms of reference agreed by the full Council.
  - The Standards Committee was abolished at the end of June 2012 when the Localism Act 2011 removed the statutory requirement to establish and maintain a Stand ards Committee. The Council adopted a set of arrangements for dealing with allegations of failure to comply with the Code of Conduct. These arrangements were adopted on 24 Apr il 2012 and came into effect on 1 July 2012.
  - 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 de cisions 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 exc ept when exempt or confidential matters are being disclosed. The public have an opportunity to participate in some of the meetings.
- A number of areas are delegated to officers for the purposes of decision-making; however, limits on the exercise of delegation are laid down in an approved Sc heme 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 maladminist ration by the Authority. The Monitoring Officer also has responsibilities relating to the Members' Code of Conduct.
- The Exec utive Director (s151) is the officer with statutory responsibility for the proper adm inistration of the Council's financial affairs, in ac cordance with the Section 151 of the Loc al Government Act 1972. In compliance with CIPFA's "Statement on the Role of the Chief Financial Officer in Local G overnment", Selby is in full compliance as the Executive Director (s151) is a member of the Strategic Management Team.
- Both the Statutory Officers re ferred to above have unfettered access to information, to the Chief Executiv e and to Members of the Council in order that they c an discharge their responsibilities effectively. The functions of these Officers and their roles ar e 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 c apital budgets – with regular reports to Access Selby Board and the Executive:

- Embedded arrangements for securing efficiencies and continuous improvement;
- Production annually of a Stat ement of Acc ounts compliant with the requirements of local authority accounting practice;
- Compliance with requirements established by CIPFA.
- A performance manag ement framework provides an explicit link between the corpor ate 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 Corporat e Plan to ensure that priorities are reviewed, remain relevant and reflect the aims of the Council;
  - A Service Level Agreement between the Core and Acces s Selby, which identifies key performance measures and targets for the year;
  - Service specific Strategic Plans , which ar e produced with explicit goals and as sociated performance targets in order to ensure that achievement of performance is measurable;
  - The Council's staff appraisal syst em (Performance Contracts) links personal objectives directly to Service Plans;
  - Regular reports on the performance of key indicators, which are presented to Access Se Iby Management Group, Access Selby Board and the Executive;
  - The use of Performance Clini cs 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 Mazars, the body responsible for the external audit of the Council.

- Recruitment and selection proc edures are based on recognis ed good practice and all staff posts have a formal job description and competency based person specific ation. 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 maint enance of systems and processes to identify and manage the key strategic and op erational ris ks 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(s) comprising both Corporate and Operational risks for the C ouncil as a whole and Access Selby, assigned to designated officers, with appropriate counter-measures and an action plan established for each key risk;
- Corporate Management Team keep the corporate risk management arrangements under review;
- periodic review of risks in-y ear with reports to th e Audit Committee and the Strategic Management Team;
- the Audit Committee also ap prove and review the Ris k Management Strategy;
- the use by Internal Audit of a risk based approac h in the preparation and delivery of the internal audit plan;
- the requirement for Officers of the Council to consider risk management issues when s ubmitting reports to the Executiv e and Council for consideration by Members;
- the adoption of an abridged vers ion 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. From 1 April 2012, responsibility for the provision of the internal audit service transferred to Veritau North Yorkshire Ltd. (VNY), which is part of the Veritau group. It oper ates in accordance with the statements, standards and guidel ines publis hed 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 adequ acy 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 apprais al 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 Committ ee with client responsibility assigned to the Executive Directo r (s151). Internal Audit is required to give an opinion on the adequa cy 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. It aims to achieve this by a variety of means including the following:
  - Service/process transformation and efficiency reviews;

- Working with partners;
- External and Internal Audit feedback.

#### 3. Review of Effectiveness

- 4.1 The Council has a r esponsibility for conducting, at least annually, a review of the effectiveness of it s governance framework including the system of internal control. This re view takes account of the work of internal audit and the Council's Strategic, and Corporate Management Teams who have a r esponsibility 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 rev iew is to id entify and evaluate the key cont rols in place to m anage principal r isks. It al so requires an evaluation of the assurances received, identifies gaps in controls and assurances and should res ult in an action plan to addr ess significant internal control issues.
- 4.3 The process that has been applied in maintaining and reviewing the effectiveness of the Counc il's s ystem of internal control includes the following:
  - The Council's Monitoring Officer oversees the operation of the Constitution to ensure its aims and principles are given full effect;
  - The arrangements for Overview and Sc rutiny hav e 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 arr angements have operated since May 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 pr ogramme of scheduled audits during the year according to its plan in cluding follow up audits. There were no s pecific investigations in the year. All high ris k 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 provide **Substantial Assurance**. There are no qualifications to that opinion. No reliance was placed on the work of other assurance bodies in reaching this opinion. There were two control related issues which, in the opinion of the Head of Internal Audit, need to be

considered for inclusion in the Annual Governance Statement; ICT 2011/12, identified key risks around Disaster Recovery and Business Continuity Planning. Management have recognised these issues and have formulated and tested a Disaster Recovery Plan with Craven DC and are working towards an approved Business Continuity Plan; Council Tax Billing 2013/14 – a control issue resulted in an error in the calculation of the annual bills. Management have since identified the control failure and taken steps to introduced additional controls to prevent a reoccurrence of the situation".

Internal Audit has als o raised c oncerns about certain auditable areas during the course of their work and these matters will be kept under review during 2013/14;

- The Accounts and Audit Regulations now require that the Counc il undertake, annually, a review of the 'effectiveness of its internal audit'. This has been done and repor ted to the Audit Committee. No material areas of concern were noted. Mazars have not identified any issues with the standard or quality of wor k undertaken by Internal Audit.;
- The Counc il's Risk Register has been maintained un der revie w during the year and updated accordingly . Repor ts on risk management have been considered by the Corporate Management Team, and the Audi the Committee. The Audit Committee has approved a revised Risk Management Strategy. Access Selby's Strategic Risk Riegister has been developed and maintained and reported to the Access Selby Board;
- Monitoring information on key ar eas of performance has been provided to Strategic Managem ent and M embers 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 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 external auditor did not identify any significant weaknesses in our internal control arrangements.

#### **5** Significant Governance issues

5.1 No system of governance or inter nal control can provide absolute assurance against material misstatement or loss. This Statement is intended to provide reasonab le assurance. In conc luding this review of the Council's Governance Fram ework and Internal Control arrangements, two new issues have been i dentified that need to be monitored. A detailed plan to addr ess existing weaknesses and ensur e

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, wher e appropriate. The aim is to addr ess these weaknesses during the 2013/14 financial year.

# Appendix A

Kear Kear	Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
CT COUNCII 132	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	March 2013. Internal Audit report that no further concerns have been raised.
STATEMENT OF ACCOUNT	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	March 2013. Both the reconciliations for housing rents and housing benefits are up to date (end Feb 2013).
Z012/13	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	March 2013. Additional training has been provided and

# Appendix A

Year	Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
CT COLI		projects		2012	capacity & expertise within Business Support has been enhanced.
2012/13 ICT	2011/12.	Internal Audit report.	The IT Manager will ensure that agreed actions are implemented.	IT Manager	May 2013
	Risks have been identified around disaster recovery, security and back-up arrangements. As IT is fundamental to the Council achieving its goals it is				Management have formulated and tested a Disaster Recovery Plan with Craven DC and are working towards an approved Business
133	important that systems and processes are robust.				Continuity Plan – deadline August 2013.
2012/13	Council Tax Billing – incorrect billing for 2013/14	Management	Management have issued corrected bills to households.  Management have identified the reasons for the error and have introduced further controls to ensure that the errors are not repeated.	Director/Busine ss Manager	May 2013  Management have identified the control failure and taken steps to introduced additional controls to prevent a reoccurrence of the situation.

Councillor Mark Crane Leader of the Council

Martin Connor Chief Executive

# Statement of Accounts 2012/13 – Explanatory Notes

#### 1 Int <u>roduction</u>

- 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 2012/13" (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.4 There have been no changes to the accounts format in 2012/13.

# 2 Expl <u>anatory Foreword</u>

- 2.1 The purpose of the Explanatory Foreword is to provide an easily understandable guide to the most significant matters reported in the accounts. It includes details of:
  - The statements included in the accounts.
  - A summary of the Councils revenue income and expenditure for the year and variances against the previous year's figures.
  - A summary of capital expenditure and how this was financed.
  - Changes to accounting policies and practice.
  - Any other significant matters.
- 3 Statement of Responsibilities for the Statement of Accounts
- 3.1 This statement sets out the various responsibilities for the accounts:
  - The Council's responsibilities under local government legislation.
  - The Executive Director s151 legal and professional responsibilities.
- 3.2 This statement must be signed by the Chair of the meeting which approves the accounts and the Executive Director s151.

# 4 Movement in Reserves Statement

4.1 This statement shows the movement in the year on the different reserves held by the Council analysed into "usable reserves" (those that can be applied to fund expenditure or reduce local taxation) and other reserves or "unusable reserves". The surplus or (deficit) on the provision of services line shows the true economic cost of providing the Council's services. These are different from the statutory amounts that are required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwelling rent setting purposes.

Description 2011/	12 £'000	2012/13 £'000	Variance £'000	Comment
(Surplus) / Deficit on Provision of Services	56,856	(3,884)	(60,740)	There were two items of expenditure in 2011/12 that did not recur in 2012/13 - the HRA Self Financing Settlement payment of £57.733m and the impairment of the Abbey Leisure Centre following the fire at a cost of £1.303m. Further variations include the insurance settlement resulting from the fire at the Abbey Leisure Centre (£3.450m) offset by additional interest paid (£1.707m) on borrowing taken out to fund the HRA Self-determination payment in 2011/12.
Other Comprehensive Income & Expenditure	2,810	3,242	432	Comprises mainly revaluations and impairments charged to the Revaluation Reserve (net £166k) and actuarial (gains)/losses on pension fund assets and liabilities (£263k).
Balance on Total Authority Reserves at 31 March	(45,349)	(45,991)	(642)	This represents the increase in the net wealth or value of the Council over the year.

- 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 £6,242k).
  - 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 £11,861k).
  - Income received in respect of general government grants and local taxation (bringing the overall net total on provision of Services to a surplus of £3,884k).
  - Surplus or deficit on revaluation of Non-Current Assets £3,242k (bringing the overall total of Comprehensive Income and Expenditure to a surplus of £642k).

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 2011/12 and 2012/13:

Description 2011/1	2	2012/13	Variance	Comment
	£'000	£'000	£'000	
Exceptional Costs Impairment – Abbey Leisure Centre	1,303	-	(1,303)	Impairment in value of the Abbey Leisure Centre as a consequence of the fire in February 2012.
Exceptional Costs HRA Settlement Payment	57,733	-	(57,733)	The cost to the Council of the HRA self financing settlement payment to DCLG on 28th March 2012 to come out of the housing subsidy system.
Interest payable on debt	776	2,483	1,707	This is the impact of the additional borrowing the Council had to undertake to support the £57.733m HRA self-financing settlement payment in 2011/12.
Non-domestic Rates Redistribution	(4,012)	(4,705)	(693)	Changes to grant allocation.

Description 2011/1	2	2012/13	Variance	Comment
	£'000	£'000	£'000	
Revenue	(1,240)	(91)	1,149	Changes to grant allocation.
Support Grant				
Non Service	(564)	(1,069)	(505)	This includes the new
Related				homes bonus grant (an
Government				additional 435k in 2012/13),
Grants				the council tax reduction
				grant, new burdens and
				other small grants.
Recognised	(62)	(3,466)	(3,404)	This in primarily the
Capital Grants				insurance receipt of £3.45m
and				from the Abbey Leisure
Contributions				Centre fire. The receipt is
				being spent on the
				replacement sports centre.
Actuarial (Gains)/	2,965	3,228	263	This is the year end
Losses on				actuarial valuation of the
Pension Fund				Council's share of the
Assets &				pension fund assets and
Liabilities				liabilities

- 5.3 In addition there are movements between service lines and Corporate and Democratic Core which represent the reporting requirements of the new management structure at the Council.
- 5.4 Councillors will note that the Comprehensive Income and Expenditure of the Council has moved from a deficit of £59,666k at the end of 2011/12 to a surplus of £642k at the end of 2012/13, a net movement of £60,308k 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 Explanations for key variances between 2011/12 and 2012/13 are set out on the next page.

Description 2011/	£'000	2012/13 £'000	Variance £'000	Comment
Property Plant & Equipment.	115,343	113,766	(1,577)	Net effect on the value of the Council's assets of in year acquisition and enhancement of £5.267m offset by depreciation and impairments (£6.304m), movement in the value of leased assets (£205k) and the book value of the council houses sold during the year (£335k).
Long Term Investments	4,036	6,074	2,038	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	15,174	9,147	(9,027)	Movement on long term to short term investments. Short term investments are those originally for a period more than three months and with a maturity date up to 364 days from the 31 March.
Short Term Debtors	2,901	6,229	3,328	The figure for 31 March 2013 includes the insurance receipt relating to the Abbey Leisure Centre fire in the accounts, although the actual income was not received until the first week in April.
Cash and Cash Equivalents	1,775	1,385	(390)	Reduction in cash at bank between 31 March 2012 and 2013.
Short Term Borrowing	(5,125)	(620)	4,505	The Council had £0.6m of temporary borrowing at the end of 2012/13 to assist with cash flow. In 2011/12 this amount was £5.1m.
Short Term Creditors	(5,512)	(3,411)	2,101	The Council owed the NDR pool £1.7m less at the year end of 2012/13 than it did at the end of 2011/12.

Description 2011/1	2	2012/13	Variance	Comment
	£'000	£'000	£'000	
Defined Benefit Pension Scheme	(21,853)	(25,595)	(3,742)	Year end actuarial valuation of the Council's share of the North Yorkshire Pension Fund liabilities.
Finance Leases	(1,395)	(1,140)	255	Removal and replacement of vehicles from the street scene contract, the inclusion of new gym equipment for the Profiles centre, together with the 2012/13 lease charges.
Usable Reserves	(14,410)	(19,908)	(5,498)	Budgeted and year-end use of General Fund reserve to support the 2012/13 budget (£745k). Net increase in earmarked reserves (-£2,439k) during 2012/13 through planned contributions and savings generated during the year. Contributions from the HRA income and expenditure account to the HRA balance (-£52k) and the Major Repairs Reserve (-£421k). Increase in capital receipts reserve (-£3,331k) mainly the insurance settlement from the Abbey Leisure Centre fire, held to fund future replacement costs.

Description 2011/1	2	2012/13	Variance	Comment
	£'000	£'000	£'000	
Unusable Reserves	(30,939)	(26,083)	4,856	The main variances are on the Capital Adjustment Account (£1.001m) representing costs of depreciation and assets disposed of in year, offset by sums used to finance new capital expenditure and the pensions reserve (£3.742m) in line with the year-end actuarial valuation of the Council's share of the North Yorkshire Pension Fund assets and liabilities.

# 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 2011/12.

Description 2011/	12	2012/13	Variance	Comment
	£'000	£'000	£'000	
Employees 6,890		4,934	(1,956)	The 2012/13 figure excludes Employers oncosts in line with the Code's requirements.
Payments to Suppliers	22,152	13,520	(8,632)	Numerous variances make up the difference the removal of the need to pay negative housing subsidy (£5.3m) following the Housing self-financing determination and £1.8m payments on behalf of the PCT for the Selby Community Project in 2011/12.

Description 2011/		2012/13	Variance	Comment
	£'000	£'000	£'000	
Interest paid	623	2,568	1,945	Reflects the increased amount payable following taking out additional borrowing to make the £57.733m payment for the Housing Self-Financing determination in 2011/12.
Non-domestic rate pool	(4,012)	(4,705)	(693)	Changes to grant allocation.
Revenue Support Grant	(1,240)	(91)	1,149	Changes to grant allocation.
DWP grants for benefits	(20,780)	(21,326)	(546)	Reflects the increased amount paid on account for benefits.
Goods and services	(12,777)	(7,434)	5,343	Numerous variances make up the difference the most significant being the removal of the major repairs allowance of £2m following the Housing self-financing determination and £2.3m receipts from the PCT for the Selby Community Project in 2011/12.
Capital expenditure on fixed assets	4,103	5,030	927	Expenditure on property, plant and equipment net of accruals.
HRA Self Financing Settlement	57,733	- (57		See explanation on Comprehensive Income and Expenditure Statement
Purchase of Short term investments	26,500	75,250	48,750	Increase in number of short- term deposits placed with banks and local authorities which earn interest income for the Council.
Sale of fixed assets	(2,893)	(957)	1,936	2011/12 included the sale of the Civic Centre. 2012/13 receipts are for a small number of council house sales and £0.5m residual sum received for sale of Civic Centre.

Description 2011/	2	2012/13	Variance	Comment
Description 2011/	£'000	£'000	£'000	Somment
Capital grants received	(2,076)	-	2,076	No capital grants received in the year.
Disposal of Investments	(28,500)	(79,250)	(50,750)	See purchase of short-term investments – reflects the number of short-term deposits returned and reinvested during the year.
Repayments of Amounts Borrowed	2,018	4,504	2,486	Repayment in 2012/13 of temporary borrowing taken in 2011/12.
Other payments from financing activities	2,634	6,244	3,610	This is the net cash movement of transactions that do not belong to the Council, e.g. nndr receipts/payments to the government and council tax receipts/precepts paid to the major preceptors. The main increase in the year relates to the nndr transactions.
New loans raised	(50,215)	-	50,215	No new loans raised in the year.
New Short Term Loans	(4,500)	-	4,500	No temporary borrowing in the year.
Cash and cash equivalents	(1,775)	(1,385)	390	Movement reflects the reduced cash balance at bank at the year-end.

# 8 St atement 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.

- 9.2 For 2012/13 there is a Restatement of Accounts section which sets out adjustments that have been made to prior year figures. The main adjustment relates to impairment and revaluation entries where the original treatment had not fully complied with the Code of Practice. The cumulative effect of these entries only impact on two items within Unusable Reserves on the balance sheet, the Revaluation Reserve and the Capital Adjustment Account, any credits/charges to the service revenue accounts would have been reversed out through the Movement in Reserves Statement, and there would not have been a cost to either the General Fund or the Housing Revenue Account.
- 9.3 A second adjustment reflects the agreement with the Auditors that investments with a maturity period of less than three months at the balance sheet date should not be classed as cash equivalents unless the original investment period was for less than three months. This has no impact on the cost of either the General Fund or the Housing Revenue Account.
- 10 Housing Revenue Account Income and Expenditure Statement, Movement on the Housing Revenue Account Statement and Note to the Movement on the Housing Revenue Account Statement
- 10.1 The Housing Revenue Account (HRA) is a statutory ring fenced account, to be accounted for completely separately to the General Fund. The purpose of the HRA Income and Expenditure Account, Movement on the HRA Statement and Note to the Movement on the HRA Statement is the same as for the General Fund.
- 10.2 The information from the HRA statements are combined (known as consolidated) with the General Fund to give the overall position of the Council's financial health.
- 10.3 Explanations for key variances between 2011/12 and 2012/13 are as follow:

#### Income and Expenditure Account:

Description 2011/12	2	2012/13	Variance	Comment
	£'000	£'000	£'000	
Negative Housing Revenue Account subsidy payable	3,325	-	(3,325)	The removal of negative housing subsidy payments due to the Self-Financing determination in 2011/12.
Depreciation & Impairment of Non – Current Assets	462	5,338	4,876	Impact of lower property values on depreciation charges, impairment charges and in-year capital expenditure not increasing fully the balance sheet value of the assets.

Description 2011/12	2	2012/13	Variance	Comment
·	£'000	£'000	£'000	
REFCUS – HRA	57,733	-	(57,733)	
Self Financing				the HRA self financing
Settlement				settlement payment to
Payment				DCLG in 2011/12.
Dwelling Rents	(10,485)	(11,328)	842	Increase in rents due from
				tenants by an average of
				7.9% due to the high Retail
				Price Index level in
				September 2011 which
				influences the calculation.
Charges for	(461)	(115)	346	Impact of the restructure of
Services &				the Council – costs and
Facilities				charges previously held
				within HRA now in the
				General Fund.

# Note to the Movement on the HRA Statement

Description 2011/	12 £'000	2012/13 £'000	Variance £'000	Comment
Capital expenditure funded by the HRA	478	2,177	1,699	Changes to the funding of the HRA capital programme.
HRA share of contributions to / (from) the Pensions Reserve	(35)	(170)	(135)	Adjustment arising from Actuarial review of the Pension Fund.
Transfer to / (from) major repairs reserve	871	2,564	1,693	Net transfer from the HRA Income and Expenditure to the major repairs reserve to provide funding for future capital expenditure or loan repayment.
Transfer to / (from) capital adjustment account	(57,002)	(5,290)	51,712	The major movements are non-recurrence of items associated with the self financing settlement payment and major repairs allowance (£56.6m) and a variation in the cost of impairments charged of £4.918m.

Description 2011/	12	2012/13	Variance	Comment
	£'000	£'000	£'000	
Transfer to /	(74)	(147)	(73)	Movement in authorised
(from) Housing				carry forwards between
Carry Forward				years.
Budget Reserve				

# 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 2011/12	2 £000's	2012/13 £000's	Variance £000's	Comment
Income from Council Tax	(41,994)	(42,305)	(311)	Increase in the tax base
Income collectable from business ratepayers	(31,852)	(36,944)	(5,092)	Increase in the rateable value of businesses within the district, reduction of the transitional relief available to businesses and the increase in the rate multiplier by 5.8%
Precepts and demands	45,868	46,416	548	Increase in CTax paid to precepting bodies in line with the demands received from them.
Business Rates - Payment to National Pool	31,731	36,823	5,092	Increase in the amount payable to the pool as a consequence of the increase in business rates income (see above).

Description 2011/12		2012/13	Variance	Comment
	£000's	£000's	£000's	
Bad and doubtful	125	237	112	Increase in the
debts				contribution required to
				cover doubtful debts.

# 13 G lossary

13.1 This explains the technical terminology used throughout the Statement of Accounts.

# 14 Annual Governance Statement

14.1 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.

#### 15 Conclusion s

- 15.1 The Council budgeted to make a £445k deficit on the General Fund for the 2012/13 financial year, which was to be funded from the General Fund Balance (see page 7 of the Explanatory Foreword). The actual position for the year shows a deficit of £745k. In addition savings of £888k enabled contributions to the Discretionary Rate Relief Reserve £300k, Programme for Growth Reserve £227k, NYCC Collaboration Project Reserve £250k and Access Selby Reserve £111k 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 ongoing budget savings exercises throughout the year.
- 15.2 The budget for the Housing Revenue Account (HRA) required £77k from its balances to fund its deficit, however the out-turn was a surplus of £52k, an improvement of £129k. The reasons for the variations are set out in the Explanatory Foreword (page 9) but mainly related to savings from Access Selby.
- 15.3 Capital expenditure for the General Fund and HRA totalled £5.708m against a budget of £6.987m, giving a variance of £128k on the General Fund and £1.151m on the HRA. The majority of the slippage within the HRA related to slippage on programmed and responsive works on the Council's properties which have been carried forward to 2013/14 when they will be completed.

15.4 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 2013 compared with the previous financial year.

Description	As at 31 March 2012	As at 31 March 2013	Movement	Comment
Number of Council dwellings	3,152	3,142	(10)	The economic climate is reflected in the low number of council dwellings sold, although changes to right to buy discounts have increased sales compared to previous years.

Description	As at 31 March 2012 £'000	As at 31 March 2013 £'000	Movement £'000	Comment
Property, Plant and Equipment	115,343	113,766	(1,577)	This includes the capital expenditure in the year (£5.7m) offset by the net impact of disposals and revaluations (£7.3m).
Long Term Investments	4,036	6,074	2,038	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	15,174	9,147	(6,027)	Reflects the move from short-term investments to long term investments, and the change required for cash flow purposes at the year end, which is used for treasury management purposes.

Description	As at 31 March 2012	As at 31 March 2013	Movement	Comment
	£'000	£'000	£'000	
Short Term Debtors	2,901	6,229	3,328	Reflects the inclusion of the insurance receipt relating to the Abbey Leisure Centre fire in the accounts, although the actual income was not received until the first week in April.
Short Term Borrowing	(5,125)	(620)	4,505	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	(5,512)	(3,411)	2,101	Mainly reflects the movement in the outstanding amount at the year-end in the contribution the Council is required to make to the NDR Pool (£1.7m).
Long Term Borrowing	(60,299)	(60,299)	-	These are the loans from the PWLB to fund the HRA self financing settlement payment, together with the other long-term loans.
Liability related to Defined Benefit Pension Schemes	(21,853)	(25,595)	(3,742)	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 13.

Description	As at 31	As at 31	Movement	Comment
	March	March		
	2012	2013		
	£'000	£'000	£'000	
TOTAL NET ASSETS	45,349	45,991	642	
General Fund Balance	(2,290)	(1,545)	745	Contribution to service costs as per budget and year-end approval.
Earmarked Reserves	(8,877)	(11,316)	1,012	Increase in reserves as a consequence of £818k savings within the General Fund and the New Homes Bonus £444k.
Major Repairs Reserve	(871)	(1,292)	(421)	Contribution to the reserve to provide resources to fund future HRA capital programme schemes.
Capital Receipts Reserve	(505)	(3,836)	(3,331)	Insurance monies for the Abbey Leisure Centre fire offset by usage in 2012/13 to support the capital programme.
Capital Adjustment Account	(50,571)	(49,570)	1,001	Costs of depreciation and assets disposed of in year, offset by sums used to finance new capital expenditure.
Pensions Reserve	21,853	25,595	3,742	In line with movement on Pensions Liability above.
TOTAL NET WORTH	(45,349)	(45,991)	(642)	



# **Selby District Council**

Audit Completion Report Year ended 31 March 2013

September 2013

# Contents

1.	Purpose of this document	1
2.	Independence	1
3.	Our audit approach	1
4.	Overall conclusion and opinion	1
5.	Limitations	2
6.	Audit status	2
7.	Significant risks and key judgement areas identified during planning	3
8.	Additional significant risks and key judgements identified during the audit	8
9.	Audit findings	9
10.	Internal control	10
11.	Misstatements	11
12.	Value for money	15
Appendix 1	Management representations	19
Appendix 2	Draft audit report	26
Appendix 3	Required communication	30

Our reports are prepared in the context of the Audit Commission's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to Non-Executive Directors, Members or officers are prepared for the sole use of the audited body and we take no responsibility to any Non-Executive Director, Member or Officer in their individual capacity or to any third party.

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# 1. Purpose of this document

This document has been prepared to feed back the findings of our audit for the year ended 31 March 2013 and forms the basis for discussion at the Audit Committee meeting on 25 September 2013.

Our communication with you is important to:

- share information to assist both the auditor and those charged with governance of Selby District Council to fulfil their respective responsibilities;
- provide constructive observations arising from the audit process to those charged with governance of Selby District Council;
- ensure as part of the two-way communication process we, as external auditors, gain an understanding of the attitude and views of those charged with governance of Selby District Council to the internal and external operational, financial, compliance and other risks which might affect the statement of accounts, including the likelihood of those risks materialising and how they are managed; and
- receive feedback from those charged with governance as to the performance of the engagement team.

# 2. Independence

As part of our on-going risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

No further threats to our independence have been identified since we issued our Audit Strategy Memorandum.

# 3. Our audit approach

Our audit has been conducted in accordance with International Standards of Auditing (UK and Ireland) issued by the Auditing Practices Board.

There have been no changes to our audit approach as communicated to you in the Audit Strategy Memorandum dated 20 March 2013.

# 4. Overall conclusion and opinion

At the time of issuing this report we anticipate:

- issuing an unqualified opinion on your statement of accounts; and
- concluding that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.



# 5. Limitations

Our audit procedures, which have been designed to enable us to express an opinion on the statement of accounts, have included the examination of the transactions and the controls thereon of Selby District Council. The International Standards on Auditing (UK and Ireland) do not require us to design audit procedures for the purpose of identifying supplementary matters to communicate with those charged with governance.

Our audit included consideration of internal controls relevant to the preparation of the statement of accounts in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

We have included in this report only those matters that have come to our attention as a result of our normal audit procedures and, consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

# Audit status

We have substantially completed our audit of the statement of accounts for the year ended 31 March 2013.

Alongside our audit of your statement of accounts we are required to review your Whole of Government Accounts submission and report to the National Audit Office in line with their group instructions and guidance produced by the Audit Commission. We anticipate completing this work by 30 September 2013.

As at the time of preparing this report, we have not yet received and reviewed the required assurance from the auditors of North Yorkshire Pension Fund (Deloitte LLP) over IAS 19 (pensions) related entries in the financial statements. Apart from this, there are no other significant matters outstanding.

We expect to be able to certify the closure of the 2012/13 audit by 30 September 2013. We have not received any objections to the Council's 2012/13 statement of accounts from electors and have no outstanding matters or correspondence with electors.

# 7. Significant risks and key judgement areas identified during planning

Set out below are the significant risks and key areas of management judgement in the Audit Strategy Memorandum of 20 March 2013 to which we paid particular attention in order to reduce the risk of material misstatement in the statement of accounts. We have detailed below the work performed to address each risk and judgement and our conclusions.

Significant audit risks	How we addressed this risk	Audit conclusion
Management override of controls  In any organisation, management may be in a position to override the financial controls that it has in place. In the current economic climate, the Council may face pressure to deliver financial performance levels it has previously forecast.  A breach of the controls over journal entries, accounting estimates and other accounts preparation processes may result in a material misstatement. I therefore consider management override of controls as a significant risk and adapt my audit procedures accordingly.	We updated our understanding and evaluation of internal control processes and procedures as part of our audit planning, including completion of a fraud risk assessment.  As part of this process we obtained information from the Audit and Governance Committee and management on processes for assessing the risk of fraud in the financial statements and arrangements in place to identify, respond to and report fraud.  Our testing included:  • general ledger journal testing;  • consideration and review of material accounting estimates;  • consideration and review of any unusual or	Our work has provided the assurance we sought and has not highlighted any issues to bring to your attention.
	significant business transactions; and consideration of local factors.	

Significant audit risks	How we addressed this risk	Audit conclusion
Property, plant and equipment (PPE) entries and disclosures	We discussed with officers any significant changes to the PPE estimates prior to the preparation of the financial statements.	We have carried out specific testing to address the significant risk in relation to property, plant and equipment entries and disclosures.
The financial statements contain material entries and disclosures in respect of PPE. The calculation of these figures, can be subject to significant volatility, including estimates of valuation and asset life.	In addition to our standard programme of work in this area, we also:  • evaluated the competencies of the external	An error in relation to impairment was corrected.  There were no other significant matters arising from our testing.
This results in an increased risk of material misstatement.	<ul> <li>valuer engaged by the Council;</li> <li>evaluated the management controls you have in place to assess the reasonableness of the figures provided by the valuer; and</li> </ul>	
	<ul> <li>considered the reasonableness of the valuer's outputs, referring to an expert's report on trends which is commissioned annually by the Audit Commission.</li> </ul>	
	During our consideration of PPE accounting entries, we identified an error of £4m relating to impairment assessed by the valuer which had not been processed through the accounts. This was a technical error that did not impact on the Council's outturn. The error was corrected in the revised statements being considered by the Audit Committee.	

Significant audit risks	How we addressed this risk	Audit conclusion
Pension liabilities and IAS19 disclosures  The financial statements contain material entries and disclosures in respect of retirement benefits. The calculation of these figures can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions.  This results in an increased risk of material misstatement.	We discussed with officers any significant changes to the pension estimates prior to the preparation of the financial statements.  In addition to our standard programme of work in this area, we also:  • evaluated the management controls you have in place to assess the reasonableness of the figures provided by the actuary (Mercers); and  • considered the reasonableness of the actuary's (Mercers') output, referring to an expert's report on all actuaries nationally which was commissioned by the Audit Commission.  As at the time of preparing this report, we have not yet received and reviewed the required assurance from the auditors of North Yorkshire Pension Fund (Deloitte LLP) over IAS 19 (pensions) related entries in the financial statements.	Subject to a satisfactory response from Deloitte LLP, our work has provided the assurance we sought and has not highlighted any issues to bring to your attention.

Significant audit risks	How we addressed this risk	Audit conclusion
Accountancy arrangements  There have been changes in key accountancy staff and although the new Chief Accountant brings commercial expertise, this is their first involvement in the closedown and production of local authority accounts. The Council is mitigating this risk through an additional temporary and part time resource to assist with the production of the financial statements by the end of June 2013.	We liaised closely with officers prior to the year end and during the closedown of accounts to help facilitate a smooth audit process. This enabled us to discuss audit requirements in advance and also provided an opportunity to discuss and agree any accounting issues that arose on a timely basis.  The arrangements put in place enabled the Council to produce a good quality set of financial statements by the deadline of 30 June 2013.	From our perspective, this arrangement worked well, assisting the Council to produce a good quality set of financial statements by the deadline and helping the audit process run more smoothly.

In addition to significant risks, we also identified in the Audit Strategy Memorandum the key areas of management judgement that would impact the statement of accounts. We detail below the work performed to evaluate the robustness of each judgement and our conclusions.

Areas of management judgement	How we addressed this judgement	Audit conclusion
Property, plant and equipment  Pension liabilities as assessed by the actuary	We carried out the work identified in the significant risks table above.	Although an error in relation to impairment was corrected, there were no significant matters arising from our consideration of the management judgements in these areas.
Estimates	We reviewed all areas of the accounts where material estimates are made, and assessed these for reasonableness.	All material estimates were based on reasonable management judgements.
We will assess all potential liabilities, ensuring that provisions are made where appropriate or that there is adequate disclosure as contingent liabilities.	We assessed the appropriateness of the disclosure of no provisions in the accounts. We also assessed whether the Council had properly disclosed material contingent liabilities.	The Council's treatment of provisions and contingent liabilities was reasonable.

# 8. Additional significant risks and key judgements identified during the audit

Since we submitted our Audit Strategy Memorandum on 20 March 2013 we have identified an additional significant risk. This was discussed with the Audit Committee on 26 June 2013. This is set out below along with how it was addressed and our conclusion.

Areas of risk	How we addressed this risk	Audit conclusion
Revenue and expenditure recognition  Auditing standards include a rebuttable presumption that there is a significant risk in relation to the timing of income recognition, and	We evaluated the design and implementation of controls which mitigated this risk. In addition we undertook a range of substantive procedures including:	Our work has provided the assurance we sought and has not highlighted any issues to bring to your attention.
in relation to judgements made by management as to when income has been earned. For public sector organisations the same risk also applies	testing of income and expenditure including tests to ensure transactions were recognised in the correct year;	
to the recognition of expenditure and contractual obligations.	<ul> <li>testing year end receivables, payables, accruals and provisions;</li> </ul>	
The pressure to manage income and expenditure to deliver forecast performance in a challenging economic environment increases the risk of fraudulent financial reporting leading	<ul> <li>reviewed management oversight of material accounting estimates and any changes to accounting policies;</li> </ul>	
to material misstatement and means that we are unable to rebut the presumption.	<ul> <li>reviewed judgements about whether the criteria for recognising provisions were satisfied; and</li> </ul>	
This does not imply that we suspect actual or intended manipulation but that we approach the audit with due professional scepticism.	tested journals.	

# 9. Audit findings

It is a requirement of ISA 260 that significant findings from the audit are communicated to those charged with governance.

## Significant qualitative aspects of accounting practices

ISA 260 requires us to communicate with those charged with governance our views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. This communication may include:

## **Accounting Policies**

- The appropriateness of the accounting policies to the particular circumstances of the entity. Where acceptable alternative accounting policies
  exist, this communication may include identification of the financial statement items that are affected by the choice of significant accounting
  policies.
- Any changes in significant accounting policies, including the application of new accounting pronouncements.

### **Accounting Estimates**

 For items which estimates are significant, issues communicated could include: management's identification of accounting estimates, management's process for making accounting estimates, risks of material misstatement, indicators of possible management bias and disclosure of estimation uncertainty in the statement of accounts.

# **Financial Statement Disclosures**

- The issues involved, and related judgements made, in formulating particularly sensitive financial statement disclosures (for example, disclosures related to revenue recognition, remuneration, going concern, subsequent events, and contingency issues).
- The overall neutrality, consistency and clarity of the disclosures in the statement of accounts.

We have not identified any issues in respect of the Council's accounting policies, accounting estimates or disclosures which we need to bring to your attention.



# 10. Internal control

We have set out in the first table below the significant deficiencies in the accounting and internal controls systems identified during the course of the audit; the second table sets out other internal control recommendations.

The purpose of our audit was to express an opinion on the statement of accounts. As part of our audit we have considered the internal controls in place relevant to the preparation of the statement of accounts, in order to design audit procedures to allow us to express an opinion on the statement of accounts, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported are limited to those deficiencies and other control recommendations that we have identified during our audit and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported.

Significant deficiencies in intern	al control		
Description of deficiency	Potential effects	Remedial action	Management response
None identified.	Not applicable.	Not applicable.	Not applicable.
Other recommendations in interest	nal control		
Description of deficiency	Potential effects	Remedial action	Management response
Improvements in the frequency and scope of system reconciliations, including performing a regular consolidated bank reconciliation.	Errors may not be identified early enough making them more difficult to investigate and correct.	Establish a full programme of system reconciliations, and ensure they are performed regularly and promptly, including a periodic consolidated bank reconciliation.	Management carried out a full set of year end reconciliations, including a consolidated bank reconciliation. These were reviewed during the audit.

# 11. Misstatements

# **Unadjusted misstatements**

We are required to report the misstatements found during the course of audit that have not been corrected, unless they are clearly trivial.

	Bala	nce Sheet
	Dr	Cr
	£'000	£'000
1 Dr Capital Adjustment Account	55	
Cr Property, Plant and Equipment – (Vehicles, Plant & Equipment)		55
Being £55k of capital expenditure included in the 2012/13 accounts. When we tested this item of expenditure, we found that it related to works that appeared to have been carried out in May 2013; i.e. in the new financial year 2013/14, and which should not therefore have been included in the accounts. We received assurances that this was a one-off error and further testing and consideration of this issue suggested that it was indeed an isolated error. Officers do not wish to correct this error as it is not material.		

	Collec	Collection Fund	
	Dr	Cr	
	£'000	£'000	
2 Dr Income collectable from business ratepayers	70		
Cr Business rates – payments to the national pool		70	
Being £70k adjustment to NNDR return between the production of the accounts and the preparation of the NNDR return.			
Officers do not wish to correct this error as it is not material.			

### **Adjusted misstatements**

The accounts have been amended for the following misstatements identified during the audit:

## • Impairment Correction:

Balance Sheet: Dr Unusable Reserves £3,892k and Cr Property, Plant and Equipment £3,892k

HRA/CIES: Dr Impairment £3,892k and Cr MIRS £3,892k

[To correct an error of £4m relating to impairment identified by the valuer that had not been processed through the accounts. This was a technical error that did not impact on the Council's outturn.]

### Movement in Reserves Statement:

Dr General Fund Balance £300k and Cr Earmarked Reserves – Business Rates Equalisation Reserve £300k

[This reflects a late adjustment to the GF balance. Officers made this entry before finalising the accounts, but the version signed by the Executive Director s151 Officer reflected the adjustment in part of the financial statements but not in the MIRS.]

## • Comprehensive Income and Expenditure Account:

Dr Other Housing Services Income £392k and Cr Other Housing Services Expenditure £392k

[To remove supporting people income which was originally double counted in the CIES; error identified by officers.]

#### Balance Sheet:

Dr Cash & Cash Equivalents £234k and Cr Short Term Debtors £193k and Cr Short Term Creditors £41k

[To adjust for collection fund cash received before the year end but not reflected in the accounts.]



- During the audit, officers raised with us the classification of certain investments as cash equivalents. Following a reconsideration of guidance and the underlying accounting standards, an amendment was agreed to reclassify £3m as short term investments that had originally been included as cash equivalents in the balance sheet. A prior year adjustment was also made to restate the 2011/12 figures on the same basis. The cash flow statement was also amended to reflect these changes.
- In addition to the amendment above, amendments were made to the cash flow statement to correct minor accruals within cash totals and also to correct the adjustment for collection fund cash received noted in a previous point.

#### Disclosure amendments

The disclosure notes were amended as follows:

- To reflect the impact of the adjusted misstatements throughout the accounts.
- Note 33, external audit costs, was amended to reflect the correct audit fees for 2012/13.
- Note 35, related party transactions, was amended to include the PFI scheme with South Yorkshire Housing and the arrangements with Wigan Leisure and Cultural Services for leisure service provision.
- Note 42, contingent liabilities, has been updated to reflect the latest available information.
- A number of other minor errors, omissions, clarifications and typographical errors were corrected.



# 12. Value for money

We are required to conclude whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We intend to issue an unqualified conclusion stating the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. Our draft conclusion is included in the draft Auditor's Report in Appendix 2.

We assess your arrangements against the two criteria specified by the Audit Commission. We have set out below our conclusion against the two criteria.

## **Criteria 1: Financial Resilience**

The Council has managed its financial position well. Budget setting is robust and close monitoring ensured delivery of spending within budget. The outturn report for 2012/13 shows that the Council underspent against budget by £0.9 million for the General Fund and £0.1 million for the Housing Revenue Account. There was some slippage in the capital programme and this is being carried forward into 2013/14.

The latest VFM profiles, produced by the Audit Commission, show the General Fund Balance was close to the average for similar authorities, and that earmarked reserves are relatively high. These earmarked reserves are set aside for specific plans and projects and will help the Council manage the financial challenges it faces over the next few years.

The Council is financially resilient. The Medium Term Financial Strategy sets out how the Council proposes to deal with the difficult economic climate and the cuts in funding. The Council has considered the impact of the retention of business rates and localisation of council tax support, and is monitoring these areas closely.

## Criteria 2: Securing economy, efficiency and effectiveness

In recent years, the Council has made significant changes to secure its future viability. It has reorganised into a democratic core, Access Selby and Communities Selby. The core commissions services and provides democratic accountability, Access Selby is a service delivery arm but with an ambition to improve service delivery for residents and develop more commercial expertise. Communities Selby is about being closer to the local community and maximising the return for residents through partnership working with the voluntary sector and others.

In delivering the new model, the Council lost over 20 per cent of its workforce and delivered annual savings of approximately £1.5 million, but is confident that it has maintained and improved service delivery by doing things differently.

There is no sign that the Council is going to rest on its achievements to date and it has ambitious plans for the future, including:

- Entering into an innovative collaborative arrangement with North Yorkshire County Council which will see a joint post of Chief Executive for Selby District Council and Assistant Chief Executive for North Yorkshire County Council, and further developments which could bring mutual benefits to both bodies and improved services for the people of the district.
- Developing a Housing Trust to address the issue of increasing the availability of affordable housing in the district.
- Recognising the opportunity offered by the fire at the Abbey Leisure Centre to secure funding to improve the services available in the reprovided facility along with the overall offer on the site.

# Significant risks

Our Audit Strategy Memorandum, issued on 20 March 2013, reported to you the significant risks that were relevant to our Value for Money conclusion. We have set out below our work addressing each of the risks we identified.

Criteria	Identified risk	Audit conclusion
Financial Resilience	The Council faces financial pressures from reduced funding and continues to identify plans to deliver future savings. Without robust budgetary control and delivery of its action plans, the Council's financial resilience and service performance could deteriorate.	The Council continues to closely monitor the delivery of its action plans and its budgets. The outturn for 2012/13 showed that the Council has achieved an underspend against budget, more than delivering the savings required so far, and it also has healthy financial reserves to help it manage the future cuts that are likely to be required. To date, the Council has managed to drive further improvement in performance despite the cuts in spending. The Council is preparing for difficult decisions in future years as further cuts in funding are required.

Criteria	Identified risk	Audit conclusion
Securing economy, efficiency and effectiveness	Linked to this, the Council has major plans to make improvements for the District, including establishing a housing trust to secure more affordable housing, re-provisioning of the Abbey Leisure Centre following a major fire in February 2012, and exploring options for improved service delivery in partnership with North Yorkshire County Council.	As noted earlier, all of these significant plans – collaboration with the County Council, establishing a housing trust and reprovision of the leisure centre – have been progressed further over the year. There are still risks with these and the other projects the Council is engaged in, but progress to date has been good. It is important that the Council continues to closely monitor the progress of these projects to ensure that the benefits envisaged are delivered for the Council and its residents.

**Appendices** 

# Appendix 1 – Management representations

## **Selby District Council**

25 September 2013

Dear Mr Waddell

## Selby District Council - audit for year ended 31 March 2013

This representation letter is provided in connection with your audit of the statement of accounts for Selby District Council for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

## My responsibility for the statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

### My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the statement of accounts such as records, documentation and other material:
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.



I confirm as Executive Director s151 Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

### **Accounting records**

I confirm that all transactions that have a material affect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Executive and Committee meetings, have been made available to you.

# **Accounting policies**

I confirm that I have reviewed the accounting policies applied during the year in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

## Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at fair value, are reasonable.

# **Contingencies**

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.



All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

## Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

#### Fraud and error

I acknowledge my responsibility as Executive Director s151 Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
  - o management and those charged with governance;
  - o employees who have significant roles in internal control; and
  - o others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's statement of accounts communicated by employees, former employees, analysts, regulators or others.

### **Related party transactions**

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.



### Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. A further impairment review is therefore not considered necessary.

#### **Future commitments**

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

## **Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

# **Going concern**

To the best of my knowledge there is nothing to indicate that the Council/Authority will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

# **Unadjusted misstatements**

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the statement of accounts as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Yours faithfully

Karen Iveson
Executive Director s151 Officer

# Appendix to letter of representation

# Schedule of unadjusted misstatements

		Balance Sheet	
		Dr	Cr
		£'000	£'000
1	Dr Capital Adjustment Account	55	
	Cr Property, Plant and Equipment – (Vehicles, Plant & Equipment)		55
	Being £55k of capital expenditure included in the 2012/13 accounts. When the auditor tested this item of expenditure, it was found that it related to works that appeared to have been carried out in May 2013; i.e. in the new financial year 2013/14, and which should not therefore have been included in the accounts. This was a one-off error and isolated error.		
	We do not wish to correct this error as it is not material.		

	Collection Fund	
	Dr	Cr
	£'000	£'000
2 Dr Income collectable from business ratepayers	70	
Cr Business rates – payments to the national pool		70
Being £70k adjustment to NNDR return between the production of the accounts and the preparation of the NNDR return.		
Officers do not wish to correct this error as it is not material.		

# Appendix 2 – Draft audit report

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

# **Opinion on the Authority financial statements**

We have audited the financial statements of Selby District Council for the year ended 31 March 2013 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 2012/13.

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. Our 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 us 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, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies



with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

# **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Selby District Council as at 31 March 2013 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 2012/13.

## **Opinion on other matters**

In our 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 we report by exception

We report to you if:

- in our 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 and the December 2012 addendum;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we 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
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We 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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves 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 us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we 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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission on 1 November 2012, 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 us to consider under the Code of Audit Practice in satisfying ourselves 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 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we 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 our work, having regard to the guidance on the specified criteria published by the Audit Commission on 1 November 2012, we are 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 2013.

## Certificate

We certify that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Cameron Waddell

For and on behalf of Mazars LLP, Appointed Auditors

The Rivergreen Centre Aykley Heads Durham, DH1 5TS

30 September 2013

# Appendix 3 – Required communication

ISA 260 'Communication With Those Charged With Governance' and ISA 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' require the auditor to communicate a number of matters with those charged with governance. These matters are set out below along with our proposed approach. We are required to ensure that all points listed below are communicated to those charged with governance.

Required communication	When and how we will communicate
Respective responsibilities of auditor and those charged with governance.	
Our responsibility for performing the audit in accordance with ISAs (UK and Ireland), which is directed towards forming and expressing an opinion on the statement of accounts.	
The audit of the statement of accounts does not relieve management or those charged with governance of their responsibilities.	
	This information was included in the Audit Strategy Memorandum.

Required communication	When and how we will communicate
Communication of the planned scope and timing of the audit.  Matters communicated include:  Significant audit risks and how we will address them;  Our approach to internal control relevant to the audit;  The application of the concept of materiality in the context of an audit;  Our use of the work of internal audit;  Your approach to internal control and how you oversee the effectiveness of internal control procedures;  The attitude, awareness and action of those charged with governance concerning the detection or possibility of fraud; and Your response to new accounting standards, corporate governance practices and related matters.	This information was included in the Audit Strategy Memorandum.
Our views on significant qualitative aspect of accounting practices including accounting policies, accounting estimates and financial statement disclosures.  When applicable, why we consider a significant accounting practice not to be appropriate to the entity.	Section [9] of this report.

Required communication	When and how we will communicate
Significant difficulties, if any, encountered during the audit.	
Significant difficulties encountered during the audit may include such matters as:	
<ul> <li>Significant delays in management providing required information;</li> <li>An unnecessarily brief time within which to complete the audit;</li> <li>Extensive unexpected effort required to obtain sufficient appropriate audit evidence;</li> <li>The unavailability of expected information;</li> <li>Restrictions imposed on the auditor by management; and</li> <li>Management's unwillingness to make or extend its assessment of the entity's ability to continue as a going concern.</li> </ul>	No significant difficulties were encountered.
Details of significant matters discussed with, or subject to correspondence with management.	Not applicable.
Details of written representations we require for our audit.	Appendix 1 to this report.
Any other matters which we consider to be significant to the oversight of the financial reporting process.	Section [9] of this report.
Statement that the engagement team and the firm have complied with relevant ethical requirements regarding independence.	
Written disclosure of relationships which have a bearing on our independence and safeguards we have put in place, details of non audit services provided and written confirmation of our independence.	This information was included in the Audit Strategy Memorandum.

Required communication	When and how we will communicate
Form, timing and general content of communications.	We issue our Audit Completion Report. Should you require us to communicate in a different way please let us know.
Our evaluation of the adequacy of the communication process between ourselves and those charged with governance. This may include observations on appropriateness and timing of action taken by you in response to matters we have raised, the openness of your communication with us, your willingness and capacity to meet with us without management being present, your opportunity to fully comprehend matters we have raised, the extent to which you probe issues raised and our recommendations, any communication we have had in establishing with you the form, timing and general content of communications, your awareness of how our discussions impact on your governance and management responsibilities and whether your communication with us meets legal and regulatory requirements.	Our view is that there is an adequate communication process between ourselves and those charged with governance.
Any significant deficiencies and other control recommendations in respect of internal control that we have identified during the audit.	Section [10] of this report.



Report Reference Number A/13/13

Agenda Item No: 8.

To: Audit Committee
Date: 25 September 2013

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 in particularly so for public bodies whose funds are infinite 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 performanc e is a step to achiev ing that goal. F urthermore it demonstrates the Council's com mitment to it s Counter Fraud and Whistleblowing policies.

## 2. The Report

- 2.1 The public ation of the document from Cipfa (its Better Governance Forum), titled 'Managing the Ris k of Fraud' gives the opportunity for the Council to review what it has achieved against this benchmark. It is expected that the Exte rnal Auditors, in t heir review of the Council, will also use this to measure performance in this area.
- 2.2 Fraud can be separ ated into two separate components; Hous ing 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 Hous ing Benefit Fraud work are attached as Appendix B.

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

3.1. Legal Issues

None.

3.2. Financ ial 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. Contact Officer: John Barnett; Audit Manager; Veritau North

Yorkshire;

John.barnett@veritau.co.uk

01757/292281

Roman Pronyszyn; Client Relationship

Manager; Veritau

roman.pronyszyn@veritau.co.uk

Appendices: -

Appendix A: Self Assessment (August 2013)

Appendix B: Outcomes from Housing Benefits Investigative

Work.

# COUNTER FRAUD SELF ASSESSMENT Appendix A

		WHERE ARE WE NOW	WHAT CAN WE DO	RESPONSIBILITY	DEADLINE
1	KEY ELEMENTS OF A STRATEGIC APPROACH				
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. There have been no changes to these in the last 12 months.	Make explicit the link at the next review of the Counter-Fraud Strategy.	Business Manager – Policy	31/3/2014
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.			

		WHERE ARE WE NOW	WHAT CAN WE DO	RESPONSIBILITY	DEADLINE
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)?	IA; Counter Fraud is embedded in programmes of work. Relatively few internal frauds at SDC. Detection and investigation is a) proactive work in the audit plan. b) reactive rather than proactive e.g to Fraud highlighted during routine audit testing. c) . ET; Fraud Awareness Training given to new staff members and teams in SDC/AS as and when requested. Publicise successful prosecutions. Looking to include CT/NNDR/Tenancy fraud into ETs domain.	ET; need to continue training programme for new staff.		
1.4	Is the full range of integrated action being taken forward or does the organisation 'pick and choose'?	IA; Yes. Veritau Fraud Team used as appropriate. ET; use of informal risk assessment on potential fraud referrals to determine optimum cases to be pursued with continued assessment during case history.			

		WHERE ARE WE NOW	WHAT CAN WE DO	RESPONSIBILITY	DEADLINE
1.5	Does the organisation focus on outcomes (i.e. reduced losses) and not just activity (i.e. the number of investigations, prosecutions etc?).	IA; focuses on both. ET; focuses on reducing both fraud 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	31/3/2014
2	MEASURING FRAUD AND CORRUPTION LOSSES				
2.1	Are fraud and corruption risks considered as part of the organisation's strategic risk management arrangements?	Yes, within the Corporate Risk Register.  IA; consider as part of IA risk assessment process.  ET; there is no longer a formal risk analysis, however, experience is present in the team to assess risk cases as they arise.	Reconsider the need for a formal risk analysis.		
2.2	Is the organisation seeking to identify accurately the nature and scale of losses to fraud and corruption, using a:  • Proper definition of fraud based in civil law for making accurate estimates?  • Professional statistical methodology for making accurate estimates and building in a proper level of independent validation?	IA; no. Very low incidence of internal fraud. ET; 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.			

		WHERE ARE WE NOW	WHAT CAN WE DO	RESPONSIBILITY	DEADLINE
2.3	Does the organisation use accurate estimates of losses to make informed judgements about levels of budgetary investment in work to counter fraud and corruption?	There are pitfalls with this approach, as HB fraud is extensive, and there are costs which may not be met by DWP. Not a self financing activity, therefore reducing in scale to a 'limited' activity based more around capacity to investigate than levels of referrals.	To be re-assessed.		
3	HAVING THE NECESSARY AUTHORITY AND SUPPORT				
3.1	Do those tasked with countering fraud and corruption have the appropriate authority needed to pursue their remit effectively, linked to the organisation's counter fraud and corruption strategy?	IA; yes, need support from Authorising Officer (Solicitor to the Council) to sign RIPA authorisations.  ET; yes – 2 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 & S.109C of the Act, These are the only staff qualified to work side by side with DWP on investigations.	ET; need to keep competence and training needs under review given the changing legislative requirements associated with Universal Credit. Ongoing, more staff will need to gain the necessary qualifications to cover for increased workload and staff unavailability		
3.2	Is there strong political and executive support for work to counter fraud and corruption?	Yes. Commitment seen through audit committee.			

		WHERE ARE WE NOW	WHAT CAN WE DO	RESPONSIBILITY	DEADLINE
3.3	Is there a level of financial investment in work to counter fraud and corruption that is proportionate to the risk that has been identified?	Fraud is the 'piece of string' and increasing the spend may lead into the law of diminishing returns.  Work is now restricted by capacity following changes in the DWP HB grant regime and re-organisation of SDC/Access Selby. Previously 2 benefit fraud officers but now they have been integrated into the Enforcement team and as such they are also involved in other enforcement work reducing their available time for fraud work.	See 2.3 above		
	Specialist Training & Accreditation				
3.4	Are all those working to counter fraud and corruption professionally trained and accredited for their role?	IA; Veritau has a dedicated Fraud Team appropriately qualified. ET; yes HB Investigators are Professionalism in Security (PINS) accredited. Specially trained in fraud interviewing techniques.	ET; see 3.1 above		

		WHERE ARE WE NOW	WHAT CAN WE DO	RESPONSIBILITY	DEADLINE
3.5	Do those employees who are trained and accredited formally review their skills base and attend regular refresher courses to ensure they are abreast of new developments and legislation?	IA; yes. Dedicated Fraud Team and Internal auditors through regular training and CPD.  ET; 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. Regular meetings held with other fraud investigators (see 3.11) to exchange good practice.			
3.6	Are all those working to counter fraud and corruption undertaking this work in accordance with a clear ethical framework and standards of personal conduct?	IA; yes - working to CIPFA Code of Practice. ET; yes - compliance with the several codes of conduct continues. Annual personal declaration of interests completed.			
	Propriety Checks				
3.7	Is an effective propriety checking process – implemented by appropriately trained staff – in place that includes appropriate action where individuals fail the check?	Policy is to undertake prior to all appointments, though this may not always happen with seasonal and any short term or contract staff.			

		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 proprietary checking.			
	Developing Effective Relationships with other Organisations				
3.9	Are there framework agreements in place to work with other organisations and agencies?	<ul> <li>IA; no formal agreements, we would work with others as required.</li> <li>ET; yes associate organisations are DWP; Housing Associations etc. Police SLA recently reviewed</li> </ul>			
3.10	Are the framework agreements focussed on the practicalities of common work?	IA; n/a ET; SLA's with Police, DWP, HMRC.			
3.11	Are there regular meetings to implement and update these agreements?	ET; yes regular meetings of NY Fraud Investigators Group; Fraud Practitioners Group and Local Authority Investigating Organisations Group (LAIOG). Other ad-hoc groups meet as required.			

		WHERE ARE WE NOW	WHAT CAN WE DO	RESPONSIBILITY	DEADLINE
4	TAKING THE FULL RANGE OF ACTION AND INTEGRATING DIFFERENT STRANDS				
4.1	Is the organisation undertaking the full range of necessary action.	<ul> <li>IA; Counter Fraud is embedded in programmes of work.</li> <li>Detection and investigation is</li> <li>d) reactive rather than proactive.</li> <li>e) proactive work in the audit plan.</li> <li>ET; yes. FAT training made available to all sections. HB fraud always prosecuted. Data Matching undertaken.</li> </ul>			
	Culture	S			
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 policy available to all staff. Actions are publicised as far as practicable. FAT (Fraud Awareness Training) sessions are made available to all sections. 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. All staff are expected to exhibit ethical standards in their work. See also 4.7 below.			

		WHERE ARE WE NOW	WHAT CAN WE DO	RESPONSIBILITY	DEADLINE
4.4	Is this programme of work being	Yes, as far as can be			
	effectively implemented?	determined from routine audits			
		undertaken and the low level of internal fraud seen to date.			
4.5	Are there errongements in place to	No, low level of internal fraud.			
4.3	Are there arrangements in place to evaluate the extent to which a real anti-	No, low level of internal fraud.			
	fraud and corruption culture exists or is				
	developing throughout the organisation?				
4.6	Are agreements in place with stakeholder	Yes, Audit Committee.			
4.0	representatives to work together to	10s, Audit Committee.			
	counter fraud and corruption?				
4.7	Have arrangements been made to ensure	IA – Veritau produce a			
	that stakeholder representatives benefit	quarterly bulletin which is			
	from successful counter fraud and	published on the intranet			
	corruption work?	homepage. This may include			
		details of new initiatives in			
		fraud detection and prevention.			
	Deterrence				
4.8	Does the organisation have a clear	Yes, all prosecutions are			
	programme of work attempting to create a	published in the local press.			
	strong deterrent effect?	The regular audits undertaken			
		throughout the year act as a			
		deterrent.			

		WHERE ARE WE NOW	WHAT CAN WE DO	RESPONSIBILITY	DEADLINE
4.9	Does the organisation have a clear programme of work to publicise the:  • Hostility of the honest majority to fraud and corruption  • Effectiveness of preventative arrangements  • Sophistication of arrangements to detect fraud and corruption  • Professionalism of those investigating fraud and corruption and their ability to uncover evidence  • Likelihood of proportionate sanctions being applied  • Likelihood of losses being recovered	Yes	Continue to publicise using the intranet, local press, noticeboards, fraud bulletins, and the 'grapevine'.  Review what other local councils are doing and share best practices.		
4.10	Has the organisation successfully publicised work in this area?	Yes ET; advertising, reporting of HB Fraud and other court cases, posters, business cards, franking envelopes, newsletters.			
4.11	Has the publicity been targeted at the areas of greatest fraud losses?	No; universally preferred.			

		WHERE ARE WE NOW	WHAT CAN WE DO	RESPONSIBILITY	DEADLINE
	Prevention				
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?	IA; 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?	IA; yes ET; usually 'transgressions' rather then 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?	IA; yes reports will have 'agreed actions'.			
	Detection				
4.15	Are there effective 'whistleblowing' arrangements in place?	Yes.	Reinforce through CMT, ASB and the Executive.		
4.16	Are analytical intelligence techniques used to identify potential fraud and corruption?	IA; part of routine audit work, plus regular internal data matching, plus participation in national data matching exercises. ET; also the council participates in NFI and HBMS. Uses internal data matching and may extend to external groups.			

		WHERE ARE WE NOW	WHAT CAN WE DO	RESPONSIBILITY	DEADLINE
4.17	Are there effective arrangements for collating, sharing and analysing intelligence?	IA; yes. Veritau's dedicated fraud team covers other local authorities. Information is also published in their quarterly fraud bulletin.  ET; 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 within the authority has improved.			
4.18	Are there arrangements in place to ensure that suspected cases of fraud or corruption are reported promptly to the appropriate person for further investigation?	IA; written into the Constitution, but whether some are not reported is unknown, (but suspected). ET; HB Fraud Hotline and Website for receipt of public referrals; established procedures for forwarding to DWP, TPS and HMRC.			

		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?	IA; Veritau fraud team would be involved in all cases. ET; HB Fraud work is undertaken during a 3 day turnaround of sifting referrals to either open investigation, refer to DWP/TPS/HMRC or mark as 'no further action'.			
4.20	Are proactive exercises undertaken in key areas of fraud risk of known systems weaknesses?	IA; yes, e.g. regular payroll/HB matching. Internally and externally driven.	Consider any benefit against cost of undertaking.		
	Investigation				
4.21	Is the organisation's investigation work effective?	Yes. – IA/ET			
4.22	Is it carried out in accordance with clear guidance?	IA; yes. Audit manual in place. Dedicated fraud team in place. ET; 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.			
4.23	Do those undertaking investigations have the necessary powers, both in law, where necessary, and within the organisation?	IA; yes - dedicated Fraud Team utilised. ET; yes - comply with Codes of Conduct & Procedure manual ensuring compliance with Data Protection; Human Rights & PACE.	ET: New Authorised Officer powers are being arranged, currently with legal section.		

		WHERE ARE WE NOW	WHAT CAN WE DO	RESPONSIBILITY	DEADLINE
4.24	Are referrals handled and investigations	IA; yes. Prompt action would			
	undertaken in a timely manner?	be taken although there are no			
	·	recent cases of internal fraud on			
		which to judge this.			
		ET; yes a HB Fraud 3 day			
		target is established.			
4.25	Does the organisation have arrangements	IA; no formal arrangements as			
	in place for assessing the effectiveness of	they are infrequent, and always			
	investigations?	discussed with the ED (s151			
		officer)			
		ET; management are kept			
		informed by provision of			
		information from the ET and			
		the existence of key indicators.			
	Sanctions				

		WHERE ARE WE NOW	WHAT CAN WE DO	RESPONSIBILITY	DEADLINE
4.26	Does the organisation have a clear and consistent policy on the application of sanctions where fraud or corruption is proven to be present?	IA; no, always based on case by case. SDC policy states ",the Council will pursue prosecution in accordance with the Corporate Prosecution Policy" ET; 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.	ET; the new enforcement policy to be ratified by committee.	Committee	31/3/2014
4.27	Are all possible sanctions – disciplinary/regulatory, civil and criminal – considered?	IA; yes, all avenues are considered. ET; yes - use of Licensing Committee where appropriate.			

		WHERE ARE WE NOW	WHAT CAN WE DO	RESPONSIBILITY	DEADLINE
4.28	Does the consideration of appropriate sanctions take place at the end of the investigation when all the evidence is available?	IA; yes and during, e.g. possible suspension of staff at an early stage where appropriate ET; yes – case individually reviewed to determine whether suitable for prosecution, formal	ET; a further review required of ET scheme of delegation given the present existence of various reviewers dependent upon the service area involved.		31/3/2014
		caution or compliance.			

		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?	IA; no – as far as internal fraud in concerned there have been no recent cases at SDC.  ET; 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 as required by DWP.  Enforcement seeks to uncover fraudulent overpayments and discourage future offending by acting as a deterrent. To this and, all prosecutions are actively publicised in SDC magazines, tenant correspondence, website and local newspapers. It is currently not feasible to quantify the actual 'success' of a sanction (i.e. it's the impact on offending rates) due to lack of data/reporting ability.	ET; continue to report existing and newly created PI's		

		WHERE ARE WE NOW	WHAT CAN WE DO	RESPONSIBILITY	DEADLINE
	Redress				
4.30	Does the organisation have a clear policy on the recovery of losses incurred to fraud and corruption?	IA; no standard policy, each case on merits and likely success. ET; - HB Fraud have structure options for sanctions and redress; choice determined by SEO and compliance with Prosecutions Policy.			
4.31	Is the organisation effective in recovering any losses incurred to fraud and corruption?	IA; n/a – no recent cases on which to base an opinion. ET; 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?	IA; n/a – no recent cases on which to base an opinion. ET; 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?	IA; n/a – no recent cases on which to base an opinion. ET; yes – all overpayments with Legal are monitored for progress.			

		WHERE ARE WE NOW	WHAT CAN WE DO	RESPONSIBILITY	DEADLINE
4.34	What is the organisation's successful recovery rate?	IA; n/a – no recent cases on which to base an opinion. ET; see additional Annexe to committee report for summary details of HB Fraud activity and recovery.			
5	FOCUSING ON OUTCOMES AND NOT MERELY ACTIVITY				
5.1	Are there clear outcomes described for work to counter fraud and corruption?	IA; Risk based approach taken in all audit work. Audit specifications agreed with management at the outset. ET; KPI's used.			
5.2	Do the desired outcomes relate to the actual sums lost to fraud and corruption?	IA; Risk based approach taken in all audit work. ET; HB Fraud relies on information and allegation being made to drive its work. Non-HB relies on transgressions being notified to the team. The amount of the loss is considered when deciding the recovery action required.			

# **KEY**

IA – Internal Audit

ET – Enforcement Team

# Appendix B

# **Housing Benefit Counter Fraud Statistics**

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No of Referrals received 424 No of Referrals opened for fraud investigation 227

#### **Sanctions**

# **Formal**

Caution 12
Administrative Penalty 4
Successful Prosecution 11

#### Informal

Local Written Caution 17
Compliance Letter n/a

Overpaid benefits identified and being recovered from the claimants:

Housing Benefit £92,589.28 Council Tax Benefit £18,676.29

Total £111,265.57

# 1/4/13 - 31/7/13

No of Referrals received 261 No of Referrals opened for fraud investigation 75

#### Sanctions

## **Formal**

Caution 2
Administrative Penalty 0
Successful Prosecution 5

## **Informal**

Local Written Caution 6
Compliance Letter n/a

Overpaid benefits identified and being recovered from the claimants:

Housing Benefit £19,592.13 Council Tax Benefit £8,629.36

Total £28,221.49



### **Report Reference Number A/13/14**

Agenda Item No: 9.

To: Audit Committee
Date: 25 September 2013

Author: John Barnett; Audit Manager; VNY

Lead Officer: Karen Iveson; Executive Director (s151 Officer)

Title: Internal Audit Progress Report 2013/14

**Summary:** The purpose of the report is to present the Internal Audit

Progress Report for the period April to August 2013.

#### Recommendation:

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 in ternal audit plan for 2013/14 at the meeting of Committee held on t he 17 April 2013. The purpose of the report is to inform Members of the progress made to date in delivering the 2013/14 Internal Audit Plan and any developments likely to have an impact on the Pl an 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. Financ ial Issues
- (a.) None.

### 4. Conclusion

4.1 In the period between April and August, inclusive, we have completed **3** out of **25** internal audit reviews to final report stage. In addition **7** other audits are in progress. This represents **12%** of the plan delivered to final report stage. Based on that work, our initial opinion is that a **Moderate 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.

## 5. Background Documents

Contact Officer: John Barnett; Audit Manager; Veritau North

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Appendices: - Internal Audit Progress Report 2013/2014 -

Veritau



# Selby District Council Internal Audit Progress Report 2013-14 Period to 31 August 2013

Audits Completed to 31 August 2013			
High Assurance	0		
Substantial Assurance	1		
Moderate Assurance	2		
Limited Assurance	0		
No Assurance	0		

**Emerging Audit Opinion** 

**Moderate 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: 25 September 2013

# **Background**

- 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.
- Members approved the Annual Internal Audit Plan 2013/14 at their meeting on the 17 April 2013. The total number of planned audit days for 2013/14 is 355. 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 2013/14

- 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 2013/14.
- 3.1 Veritau officers are involved in a number of other areas relevant to corporate matters:
  - Support to the Audit Committee; this is mainly on going 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 Dunn & Bradstreet (Credit Rating Agency) in order to confirm the financial robustness of contractors.
  - o **Risk Management;** Veritau facilitate the Council's Risk Management process and advise 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.
  - o *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:

**High Assurance** Overall, very good management of risk. An effective control

environment appears to be in operation.

**Substantial Assurance** 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.

Moderate Assurance 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.

**Limited Assurance** 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.

**No Assurance** 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 though the performance management framework, with appropriate testing carried out.
- In the period between April and August, inclusive, we have completed **3** out of **25** internal audit reviews to final report stage. In addition **7** other audits are in progress. This represents **12%** of the plan delivered to final report stage. Based on that work, our initial opinion is that a **Moderate 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.

# Appendix A

# Table of 2013/14 audit assignments completed

Audit	Status	Audit Committee
Corporate Risk Register/Access Selby RR		
Affordable Housing	In Progress	
Savings Delivery	In Progress	
Organisational Development Strategy	Not Started	
Human Resources	Completed ~ Moderate Assurance	September 2013
Data Quality	In Progress	
Land Contamination	In progress	
LDF/Local Plan	In Progress	
Core/Access Selby SLA	Not Started	
Business Intelligence	Not Started	
Performance Framework	Not Started	
Fundamental/Material Systems		
Council Tax/NNDR	Not Started	
Benefits	Not Started	
Creditors	Not Started	
General Ledger	Not Started	
Regularity Audits		
Information Governance & Data Protection	In progress	
Council House Sales – Right To Buy	Completed ~ Substantial Assurance	September 2013
Technical/Project Audits		
ICT	Not Started	
Programme for Growth	Not Started	
Leisure Centre Rebuild/Village	Not Started	
Contract Audit	In Progress	
Housing Trust	Not Started	
Business Transformation	Not Started	
NYCC Shared Services	Not Started	
Contingency		
- Lice nsing Charges	Completed ~ Moderate Assurance	September 2013
- Council Tax Billing 13/14	Completed	Separate report June 2013
		Julie 2013
Follow Ups:	None to date	

# Summary of Key Issues from audits completed to 31 August 2013; not previously reported to Committee

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
Human Resources	Moderate Assurance	To ensure compliance with the Agency Workers Regulations 2010 and that agency workers and consultants are not employed unnecessarily and/or at excessive cost to the Council.	17 July 2013	Strengths Management recognised the relevant legislations and drafted an Agency Workers Policy in 2011 with the key elements of the legislation covered.	
				Key Weaknesses The Agency Workers Policy 2011 has not been formally approved.	The Agency Workers Policy will be put to the Policy Team and senior managers for ratification and publishing. 30/11/13
				Contrary to the policy HR are not involved in the employment and control of agency workers and there ensuring compliance with the AWR 2010.	A central record of all agency workers employed will be maintained with HR and will be regularly monitored to ensure compliance with the Act. 30/11/13
				An Authority to Recruit is not always completed when employing agency workers and HR are not always notified.	The same process to be used for agency workers as for established staff i.e. the file will not proceed until an Authority to Recruit has been completed and received by HR. 31/1/14
				There is no approved list of Agencies as required by the Agency Workers Policy.	The feasibility of using the MSTAR framework will be investigated and an updated report submitted to HR. 30/11/13

Council House Sales – Right To Buy	Substantial Assurance	A review to ensure that the process/controls employed when selling Council properties to tenants, have been correctly followed.	13 May 2013	Strengths The arrangements for managing the risks are good having been controlled effectively by experienced officers.  Key Weaknesses All discounts within the sample tested were in line with guidance and parameters set, however, it is not always clear who carried out the initial calculations and who (if anyone) checked the details before making an offer to the tenant.	All discount calculations will be checked within Business Support prior to the file being passed to Assets for the issue of the letter of offer. This will be evidenced by both officers (calculator and checker) signing or initialling the calculation document. 31/5/13  Update 6/9/2013: Some progress has been made but omissions are still seen. To be reviewed again in 3 months time.
Licensing	Moderate Assurance	A European Directive (from 2010) states that "charges which a Council imposes on applicants/licensees under an authorisation scheme must be proportionate and reasonable in the circumstances to the fees or costs payable under the provision of the scheme". Following High Court action against Westminster Council the Local Government Association briefing recommended that "Councils take the opportunity to ensure	28 August 2013	Strengths Arrangements are in place to regular review licence fees, by officers and Members.  Key Weaknesses A review of the licence committee minutes shows that the current level of fees was set in January 2013 following a 2.6% increase on the previous year. Although some cost analysis work is carried out a full assessment of the actual cost of the licences has not	A full assessment of the costs relating to the administration of licensing will be undertaken and licence fees set on a cost recovery basis. To be done before the next review and annually thereafter. The costs of enforcement relating to unlicensed operators will not be

	that all locally set licence fees are based on an up to date cost recovery approach which is established and regularly reviewed in a transparent manner that can be understood by both businesses and residents".  The review was to ensure that licence fee setting arrangements within SDC are compliant with the European Directive and UK legislation.	been carried since the restructure within the team.	included. 31/3/14
Council Tax Billing	Verbal report given to the Board at its meeting in June 2013 and reported to the June Audit Committee, by the Director of Community Services.		