SELBY DISTRICT COUNCIL

Meeting: **AUDIT AND GOVERNANCE COMMITTEE**
Date: **TUESDAY 29 SEPTEMBER 2015**
Time: **5.00PM**
Venue: **COMMITTEE ROOM**
To: **Councillors M Jordan (Chair), I Reynolds (Vice Chair), K Arthur, D Buckle, Mrs J Chilvers, A Thurlow and P Welch.**

Councillors are advised that a training session will precede the meeting, starting at 4pm in MEETING ROOM 2.

Agenda

1. Apologies for absence

2. Disclosures of Interest

A copy of the Register of Interest for each Selby District Councillor is available for inspection at www.selby.gov.uk .

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

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

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

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

3. Minutes

To confirm as a correct record the minutes of the special Audit and Governance Committee held on 16 July 2015 (pages 1 to 6 attached).

4. Chair's Address to the Audit and Governance Committee

5. Audit and Governance Committee Work Programme

To review the Work Programme for 2015/16 (pages 7 to 10 attached).

6. **A/15/7 – Annual Governance Statement 2014/15**

   To receive and approve the Annual Governance Statement 2014/15 from the Lead Officer - Finance (pages 11 to 24 attached).

7. **A/15/8 – Statement of Accounts 2014/15**

   To receive and approve the Statement of Accounts 2014/15 from the Lead Officer - Finance (pages 25 to 174 attached).

8. **A/15/9 - Audit Completion Report 2014/15 and Opinion on the Financial Statements**

   To receive and approve the Audit Completion Report and opinion on Financial Statements from the External Auditor (Mazars) (pages 175 to 198 attached).

9. **A/15/10 – Counter Fraud Annual Review**

   To receive the Counter Fraud Annual Report from the Counter Fraud Manager, Veritau (pages 199 to 276 attached).

10. **A/15/11 - Internal Audit Progress Report**

    To receive and approve the report from the Audit Manager, Veritau and to review progress against the Internal Audit Plan (pages 277 to 291 attached).

Jonathan Lund
Deputy Chief Executive

Date of Next Meetings
13 January 2016 13 April 2016

For enquiries relating to this agenda please contact Daniel Maguire:
Tel: 01757 292247. Email: dmaguire@selby.gov.uk.

Recording at Council Meetings

Recording is allowed at Council, Committee and Sub-Committee meetings which are open to the public, subject to:- (i) the recording being conducted with the full knowledge of the Chairman of the meeting; and (ii) compliance with the Council's protocol on audio/visual recording and photography at meetings, a copy of which is available on request. Anyone wishing to record must contact the Democratic Services Officer on the above details prior to the start of the meeting. Any recording must be conducted openly and not in secret.

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SELBY DISTRICT COUNCIL

Minutes

Special Meeting of the Audit and Governance Committee

Venue:	Meeting Room 2
Date:	16 July 2015, 5pm
Present:	Councillors M Jordan (Chair), I Reynolds (Vice Chair), K Arthur, J Cattanach, Mrs J Chilvers, J Thurlow and P Welch.
Apologies for Absence:	Councillor D Buckle *(substitute: Councillor J Cattanach)*.
Officers Present:	Gillian Marshall, Solicitor to the Council; Rose Norris, Executive Director (left during item 6); and Daniel Maguire, Democratic Services Officer.
Public:	0
Press:	0

12. Declarations of Interest

There were no declarations of interest, but Councillor Jordan asked that his position as Chair of the Southern Community Engagement Forum (CEF) be noted in relation to agenda item 6. He remained in the meeting during consideration of the item.

13. Minutes

Councillor Arthur noted that he had arrived at the meeting prior to the commencement of consideration of item 5. In response to a question from Councillor Jordan it was confirmed that the Executive Director (s151) would be attending the September meeting of the committee and

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will provide a response to the committee’s question relating to council house repairs.

RESOLVED:

To receive and approve the minutes of the Audit and Governance Committee held on 17 June 2015, which were then signed by the Chair.

14. Chair’s Address to the Audit and Governance Committee

The Chair welcomed those present and offered congratulations from the Committee to all staff involved with the Selby Leisure Centre being awarded the ‘Best Public Service Building’ award at the LABC North and East Yorkshire Building Excellence Awards.

15. Audit and Governance Committee Work Programme 2015/16

The Committee considered the current work programme and the Chair asked for comments and suggestions about future work.

RESOLVED:

(i) To ask the Executive Director (s151) to circulate the Treasury Management report to Committee members, which will allow members to decide if subsequent reports should be considered by the Committee;
(ii) To include debt management as an item on the work programme, and to ask Officers to prepare a report to include information about debt levels and debt write-off which could also consider the potential impact of changes o the payment of Housing Benefit;
(iii) To include management of Council assets on the work programme and;
(iv) To include a review of outside income on the work programme.

16. A/15/6 – Amendments to the Constitution

The Solicitor to the Council presented the report. She explained that the Committee had previously considered a number of constitutional amendments at the meeting on 17 June 2015 and had asked that two particular items be deferred to allow for further consideration. The two items were: proposed changes to Community Engagement Forum (CEF) procedures (which had been developed by Officers in response to the need to secure governance arrangements for CEFs), and a review of the

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Planning Code of Conduct (which the Committee had been asked to consider by the Executive).

The Executive Director provided some background information about CEFs, explaining that the first pilot CEF had been established in 2008 for Tadcaster and surrounding villages and that the CEF model had been formally adopted in 2009. They are not independent bodies, remain a key part of the Council and are governed by the Constitution. There are currently five CEFs and each has a budget allocated by Council of £20k. Consequently there is a requirement to ensure accountability, transparency and secure governance arrangements. Officers had been looking at tightening the existing governance arrangements to strengthen the CEFs. There is a need to balance the ability of all CEF members to participate equally, while at the same time recognising that decision-making needs to take place within local government legislation. There is no legislative provision for boards with non-councillor members to make decisions on behalf of the Council. Consequently CEFs are able to make recommendations which are then approved by Officers using their delegated powers.

The Solicitor to the Council advised that CEF budgets are part of the Council's overall budget and consequently are covered by transparency guidelines which require that any grant over £500 needs to be published. Furthermore there is a need to ensure that CEFs are interpreting the constitutional requirements in a consistent manner. If the amendments to the constitution are approved, officers will draft a consistent funding application rules and procedures guide for CEFs to ensure consistency.

The Committee were guided through the specific amendments provided in Appendices A and B, noting in particular:

- membership of CEFs will remain the District Councillors, statutory partners and co-opted members; and
- the rules relating to the appointment of co-opted members will be revised to provide for a maximum of eight. Currently the requirement is for eight "or another number agreed by the CEF Partnership Board".

The Committee asked questions and raised a number of points. In response to a question relating to the continued inclusion of representatives from North Yorkshire Police and North Yorkshire Fire and Rescue, it was confirmed that these partners find it increasingly difficult to attend decision making meetings but would continue to support community-based events. The Solicitor to the Council advised that the Committee could recommend removing these partner organisations from the list of CEF members.

The Committee raised further points relating to the proportionality of CEF budgets, recognition that there exists the ability/desire of Town and Parish Councils to raise funds for projects through precepts, and the need for Officer involvement at initial CEF meetings.

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The Solicitor to the Council then took the Committee through Appendices C and D, highlighting that each CEF will be required to meet a minimum of four times each year and that all meetings (including meetings of the Partnership Boards) are public meetings. Agendas, reports and minutes will be published on the Selby District Council website. Attention was drawn to section 1.3 of the Procedure Rules which sets out that a co-opted member who does not attend three successive meetings of the Partnership Board will be deemed to have resigned and can be replaced.

It was explained that Appendix D is a Code of Conduct for members of the CEF, but that District Councillors should adhere to the Selby District Council Code of Conduct. Appendix D applies to CEF members who are not District Councillors.

The Committee raised concerns about the administration of CEFs, particularly that CEF meetings sometimes clash with Council meetings and that agendas are not always sent out in a timely manner.

The Committee asked about variations between different CEFs in relation to the maximum level of grant awarded. The Solicitor to the Council advised that Officers would consider how to address this in the guidance that will be produced for CEFs if the proposed amendments are approved.

<u>RESOLVED:</u>

To recommend to Council that the amendments to the Constitution relating to Community Engagement Forums, as outlined in report A/15/6, are approved subject to the following:

(i) **To require Officer participation at the first meeting of each Community Engagement Forum Partnership Board following any changes to the Constitution and procedures;**

(ii) **To remove North Yorkshire Police and North Yorkshire Fire and Rescue from the list of Statutory Partners under rule 1.2 of the Community Engagement Forum Procedure Rules (Appendix C of the report);**

(iii) **The Executive be asked to consider, as part of the future budget setting process, the implications of revising the funding structure to reflect the size of the electorate in each CEF area;**

(iv) **To note the proposed improvements to the administration of Community Engagement Forums, in particular that the distribution of agenda and reports to Councillors will be brought into line with existing arrangements and timescales for other Council meetings and committees; and**

(v) **To delete paragraph 4 of section 3 in the Code of Conduct for Members of the Community Engagement Forums, which starts “If the views of individuals on the CEF…”**

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The Executive Director left the meeting at this point. The Committee thanked her for her attendance and presentation.

The Solicitor to the Council continued to present her report and moved on to the Planning Code of Practice. She advised that the current Planning Code of Conduct was adopted at the time of the last significant updating of the Constitution (which was necessary in anticipation of the reduction in the size of the Council), and that it had been considered at a special meeting of the (then) Audit Committee before being approved by Council. The current Code of Practice is based on the latest national guidance from 2013. At its meeting on 4 June 2015, the Executive asked the Audit and Governance Committee to consider whether there should be amendments to section 11 of the Code of Practice (Site Visits by the Committee).

Report A/15/6 provided the Committee with the current Code of Practice, a summary of research undertaken by an Independent Advisory Group in Wales (2012) and a summary of site visit protocols from neighbouring local authorities.

The Committee were advised that options ranging from no public attendance to a full debate and decision on site were legal and possible, but that there is a need to consider the impact of debate and/or decisions being taken on site, these being: reduced officer availability, practicalities relating to accurate minute taking, and central government targets regarding the need to speed up the planning process. Attention was also drawn to the existing channels through which the views of ward members, parish councils, applicants and the public can be expressed.

Councillors discussed the report and raised concerns about the need for planning decisions, and discussions, to take place in the Planning Committee meeting room. It was felt that there are too many potential distractions ‘on site’ to enable considered contributions to a discussion. Councillors also noted that technological advancements, in particular video recording and satellite imaging, could reduce the need for site visits. Concerns were raised by the Committee that, on occasions, requests for site visits are not being made sufficiently in advance of Planning Committee meetings, and that this can delay the decision.

RESOLVED:

To recommend to Council that the Planning Code of Conduct be amended as follows:

(i) Site visits should be requested in advance of the Planning Committee meeting and Councillors should liaise with officers at the earliest opportunity to consider the need for a site visit;

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(ii) Wherever possible modern technology, such as the use of video recording and satellite imaging, should be made available to the Planning Committee to reduce the need for site visits;

(iii) The purpose of a site visit is to gather factual information relating to the planning application;

(iv) As a consequence of (iii) the attendance at a site visit shall be the Planning Committee, the relevant officer(s) and (where relevant) statutory consultees only;

(v) The Chair shall set out the rules relating to the site visit at the start of the visit;

(vi) There shall be no debate or statements during a site visit.

The meeting closed at 6.48pm

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Audit Committee Work Programme 2015/16

Date of Meeting	Topic	Action Required
17 June 2015 (Wednesday)	Time of meetings	To agree the start time of Audit Committee meetings for 2015/16
	Internal Audit Annual Report 2014/15	To consider the Internal Audit Annual Report for 2014/15
	Risk Management Annual Report	To consider the Risk Management Annual Report for 2014/15
	Review of the Corporate Risk Register	To review the latest Corporate Risk Register
	Review of the Access Selby Risk Register	To review the latest Access Selby Risk Register
16 July 2015 (Thursday)	Constitutional Amendments	To consider proposed constitutional amendments.
29 September 2015 (Tuesday)	Information Governance Report	To receive an update on progress on implementing the IG Action Plan
	Statement of Accounts (post audit)	To approve the Statement of Accounts
	Annual Governance Statement	To approve the Annual Governance Statement
	Mazars Audit Completion Report and Opinion on the Financial Statements	To receive the Mazars Audit Completion Report and opinion on Financial Statements
	Counter Fraud Annual Report	To review the Counter Fraud Annual Report
	Internal Audit Quarter 1+Report 2015/16	To review progress against the Internal Audit Plan

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13 January 2016 (Wednesday)	Information Governance Report	To approve the Information Governance Annual Report
	Annual Governance Statement – Action Plan Review	To review progress against the AGS Action Plan
	Internal Audit Quarter 2+ Report 2015/16	To review progress against the Internal Audit Plan
	Annual Audit Letter	To receive the Mazars report on the 2014/15 Audit and Value for Money conclusion
	Audit of Grant Claims & Returns 2013/14	To receive the Mazars Audit report
	Review of Risk Management Strategy	To review the Risk Management Strategy
	Review of the Corporate Risk Register	To review the latest Corporate Risk Register
	Review of the Access Selby Risk Register	To review the latest Access Selby Risk Register
	External Audit Progress Report – Mazars	To review the progress by Mazars in meeting its responsibilities as the Council's External Auditor.

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13 April 2016 (Wednesday)	Audit Strategy Memorandum and External Audit Progress Report – Mazars	To review the Audit Strategy and progress of the External Audit with Mazars
	Annual Governance Statement – Action Plan Review	To review progress against the AGS Action Plan
	Internal Audit Progress Report 2015/16	To review progress against the Internal Audit Plan for 2015/16
	Internal Audit Charter	To approve the Internal Audit Charter
	Internal Audit Plan 2016/17	To approve the Internal Audit Plan 2016/17
	Audit Committee Annual Report 2015/16 and Work Programme 2016/17	To approve the 2015/16 Annual Report and the 2016/17 Work Programme for the committee

<u>Future items to schedule:</u>

- External revenue sources
- Management of Council assets
- Debt Management

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SELBY DISTRICT COUNCIL

Report Reference Number: A/15/7 **Agenda Item No: 6**

To:	**Audit Committee**
Date:	**29 September 2015**
Author:	**Jodie Taylor, Lead Officer - Finance**
Lead Officer:	**Karen Iveson, Executive Director s151**

Title: **Annual Governance Statement 2014/15**

Summary: The report presents the Annual Governance Statement (AGS) 2014/15 for approval.

Recommendations:

Councillors approve the 2014/15 Annual Governance statement.

Reasons for recommendation:

The AGS has been completed in accordance with good practice, and identifies a number of 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 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 of internal control “in accordance with proper practices”.

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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 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 has considered 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 local authority has a sound system of internal control, designed to help manage and control risks that will impede the achievement of its objectives. The AGS should not be seen as a purely financial requirement, but as an important public expression of what the Council has done, how it sets out priorities, monitors performance and has put in place good business practice. It is also about the process for ensuring high standards of conduct and is a means of demonstrating sound governance. The requirement for it to be signed by at least the Leader and the Chief Executive reflects the importance for which it is viewed.

2.6 In common with most local authorities, the council has a well established system of internal control in place. However, the AGS process requires the Council to formally demonstrate what these controls are and how they safeguard against the most significant risks to the organisation and to gain assurance, based on evidence, that these controls are operating effectively, or where they are not, to identify areas for improvement.

2.7 Assurance can be provided by evidence from a number of sources including: inspection records, external audit reports, internal audit reports and direct assurance from mangers. 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.

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2.8 The AGS is attached at **Appendix A** and highlights issues within the Council's control framework that are felt to warrant improvement – relating to Information Governance/Data Protection and reconciliations. Both issues have benefitted from review by management and steps have been taken to mitigate the remaining risk and improve processes.

3. Legal/Financial Controls and other Policy matters

3.1 Legal Issues

None as a consequence of this report.

3.2 Financial Issues

None as a consequence of this report.

4. Conclusion

4.1 The statement represents progress towards setting the highest Corporate Governance standards and meets the requirements of the Accounts and Audit Regulations.

4.2 The process of preparing the governance statement should itself add value to the corporate governance and internal control framework of an organisation.

5. Background Documents

- CIPFA/SOLACE Good Governance Framework & Guidance.
- CIPFA Financial Advisory Network – AGS @ Rough Guide for Practitioners.
- CIPFA/SOLACE Application Note to Delivering Good Governance in Local Government: a Framework.

Contact Officer:

Jodie Taylor, Lead Officer – Finance
jotaylor@selby.gov.uk

Appendices:

Appendix A: Annual Governance Statement 2014/15

Annual Governance Statement (AGS)

1. Scope of Responsibility

1.1 Selby District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging this overall responsibility, the Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

2. The Purpose of the Governance Framework

2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

2.2 The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.

2.3 Following the Local Government Elections the Council revised its governance framework, in 2011. The Council has operated a Leader and Executive (Cabinet) Model since May 2011. Officer 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's aims are reflected in its Corporate Plan. The current plan was approved by Full Council on 21st April 2015 and covers the period 2015-2020.
- The formal Constitution sets out how the Council operates, how decisions are made, and the procedures that are followed to ensure that these are lawful, efficient, transparent and accountable to local people. This incorporates the Members' Code of Conduct and a number of other locally agreed codes and protocols.
- The Council's budget and policy framework is set by the full Council. The Executive has delegated authority to operate and make decisions within the framework. Some powers are delegated to senior officers.
- In addition to the Executive there are two specific regulatory committees for Licensing and Planning. These have independent powers within their legislative framework. Each of these acts 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 Standards 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 April 2012 and came into effect on 1 July 2012.
- The Executive is subject to review by the Council's Overview and Scrutiny function, which has the ability to call-in and review decisions and also to contribute to the development of policy. There are two statutory scrutiny committees: - Policy Review, and Scrutiny. The Audit and Governance Committee also contributes to scrutiny and overview.
- The Council has established five Community Engagement Forums (CEFs) and is working with them in the development of locally based service delivery options using separate and limited funds.
- Meetings are open to the public except when exempt or confidential matters are being disclosed. The public have an opportunity to participate in some of the meetings.
- A number of areas are delegated to officers for the purposes of decision-making; however, limits on the exercise of delegation are laid down in an approved Scheme of Delegation to Officers forming part of the Council's Constitution.

- The Council has adopted a Local Code of Corporate Governance which is reviewed by the Audit Committee.
- The Council also has separate Whistle-blowing, and Anti-Fraud & Corruption policies. The low level of cases points towards a Council that has a strong and effective counter-fraud and corruption culture.
- The Chief Executive is also a Deputy Chief Executive at North Yorkshire County Council (NYCC). As part of The Better Together programme, the two councils are working together to improve access to services across both councils in order to help customers and to achieve better value for money.
- The Deputy Chief Executive has been appointed as the Council's Monitoring Officer. The appointment of a Monitoring Officer is required in accordance with Section 5 of the Local Government and Housing Act 1989. It is the function of the Monitoring Officer to report to Members upon any contravention of any enactment or rule of law or any maladministration by the Authority. The Monitoring Officer also has responsibilities relating to the Members' Code of Conduct.
- The Executive Director (s151) is the officer with statutory responsibility for the proper administration of the Council's financial affairs, in accordance with the Section 151 of the Local Government Act 1972. In compliance with CIPFA's "Statement on the Role of the Chief Financial Officer in Local Government", Selby is in full compliance as the Executive Director (s151) is a member of the Strategic Management Team.
- Both the Statutory Officers referred to above have unfettered access to information, to the Chief Executive and to Members of the Council in order that they can discharge their responsibilities effectively. The functions of these Officers and their roles are clearly set out in the Council's Constitution.
- A financial management framework comprising:
  - Financial and Contract Procedure Rules as part of the Constitution;
  - A 10 year Financial Strategy which provides the framework for financial planning;
  - Medium-term financial planning using a three-year cycle, updated annually, to align resources to corporate priorities;
  - Service and financial planning integrated within the corporate performance management cycle;
  - Annual budget process involving scrutiny and challenge;
  - Monthly monitoring by management of revenue and capital budgets – with regular reports to Access Selby Board and the Executive;

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- Embedded arrangements for securing efficiencies and continuous improvement;
- Production annually of a Statement of Accounts compliant with the requirements of local authority accounting practice;
- Compliance with requirements established by CIPFA.

- A performance management framework provides an explicit link between the corporate priorities and personal objectives of Council Officers. Performance is reported to Members and the Council's Strategic and Corporate Management Teams on a systematic basis with areas of poor performance investigated. Key features of the Performance Management Framework include:-
  - A regular review of the Corporate Plan to ensure that priorities are reviewed, remain relevant and reflect the aims of the Council;
  - A partnership agreement, which is being developed between the Core and Access Selby, will identify key performance measures and targets for the year;
  - Service specific Strategic Plans, which are produced with explicit goals and associated performance targets in order to ensure that achievement of performance is measurable;
  - The Council's staff appraisal system (Performance Contracts) links personal objectives directly to Service Plans;
  - Regular reports on the performance of key indicators, which are presented to Access Selby Management Group, Access Selby Board and the Executive;
  - The 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 procedures are based on recognised good practice and all staff posts have a formal job description and competency based person specification. Services are delivered and managed by staff with the necessary knowledge and expertise with training needs identified via the formal appraisal process contributing to a corporate training strategy.
- Pay is governed by a Pay Policy considered and approved annually by Council.
- The maintenance of systems and processes to identify and manage the key strategic and operational risks to the achievement of the Council's objectives. Risk management continues to evolve within the Council and presently includes the following arrangements:-

- a Risk Management Policy and Strategy has been adopted by the Council and is reviewed annually;
- a Risk Management guidance document has been issued to key staff along with risk management training;
- the establishment of a Risk Register(s) comprising both Corporate and Operational risks for the Council 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-year with reports to the Audit Committee and the Strategic Management Team;
- the Audit Committee also approve and review the Risk Management Strategy;
- the use by Internal Audit of a risk-based approach in the preparation and delivery of the internal audit plan;
- the requirement for Officers of the Council to consider risk management issues when submitting reports to the Executive and Council for consideration by Members;
- the adoption of an abridged version of the PRINCE2 Project Management Methodology as a means of contributing to the effective management of risks in major projects.

• Following weaknesses identified managing information governance and data protection breaches, plans are now in place to:

- Assign clear roles and responsibilities;
- Approve and implement the necessary policies and rocedures;
- Deliver a targeted training programme;
- Ensure adequate reporting arrangements; and
- Consider appropriate disciplinary procedures for data breaches.

The Executive Director (s151), as designated Senior Information Risk Owner (SIRO), sponsor the work and the Solicitor to the Council manages the detailed project. A report asking for formal designation of the SIRO and Information Asset Owners was approved by the Executive in June 2014.

Information Governance has been added to the Corporate Risk Register and progress was reported in the autumn and at the end of the municipal year.

• The maintenance of an adequate and effective system of Internal Audit is a requirement of the Accounts & Audit Regulations. Internal Audit is provided by Veritau North Yorkshire Ltd. (VNY), which is part of the Veritau group. The work of Internal Audit is governed by the Accounts and Audit Regulations 2011 and the Public Sector Internal Audit Standards. In accordance with these standards internal audit is required to prepare an audit plan on at least an annual basis.

- Internal Audit examines and evaluates the adequacy of the Council's system of internal controls as a contribution to ensuring that resources are used in an economical, efficient and effective manner. Internal Audit is an independent and objective appraisal function established by the Council for reviewing the system of internal control.
- The plan is informed by the Council's main strategic risks. This is intended to ensure limited audit resources are prioritised towards those systems which are considered to be the most risky and/or which contribute the most to the achievement of the Council's priorities and objectives.
- 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.

4. Review of Effectiveness

4.1 The Council has a responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review takes account of the work of internal audit and the Council's Strategic, and Corporate Management Teams who have a responsibility for the development and maintenance of the governance environment, and also by comments made by external auditors and other review agencies and inspectorates.

4.2 The purpose of a review is to identify and evaluate the key controls in place to manage principal risks. It also requires an evaluation of the assurances received, identifies gaps in controls and assurances and should result in an action plan to address significant internal control issues.

4.3 The process that has been applied in maintaining and reviewing the effectiveness of the Council's system of internal control includes the following:

- The Council's Monitoring Officer oversees the operation of the Constitution to ensure its aims and principles are given full effect;
- The arrangements for Overview and Scrutiny have operated throughout the year allowing for the review of key policy areas and providing opportunities for public involvement in specific matters

of business. The revised arrangements have operated since 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 programme of scheduled audits during the year according to its plan including follow up audits. There were no specific investigations in the year. All high risk and key financial systems were audited. The overall opinion expressed by Internal Audit stated:-

  *"The overall opinion of the Head of Internal Audit on the risk management, governance and 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.*
  Although a substantial assurance opinion can be given, we are aware of some weaknesses in the control environment which have been identified around Taxi Licensing, Partnerships, IT access controls and the compliance with the Payment Card Industry Data Security Standard (PCI DSS). We have recommended that the PCI DSS issues are considered for inclusion in the report on the Annual Governance Statement, prepared by the S151 Officer".

- The Council's Risk Register has been maintained under review during the year and updated accordingly. Reports on risk management have been considered by the Corporate Management Team, and the Audit Committee. The Audit Committee has approved a revised Risk Management Strategy. Access Selby's Strategic Risk Register has been developed and maintained and reported to the Access Selby Board;
- In addition, Veritau has provided risk management training to key officers and circulated risk management guidance, designed to complement the Risk Management Strategy.
- Monitoring information on key areas of performance has been provided to Strategic Management and Members on a regular basis with attention focused on those areas that are considered by the Council to be vulnerable;
- The external auditor's annual letter 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;

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- 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 internal control can provide absolute assurance against material misstatement or loss. This Statement is intended to provide reasonable assurance. In concluding this review of the Council's Governance Framework and Internal Control arrangements, one new issue has been identified that needs to be monitored. A detailed plan to address existing weaknesses and ensure continuous improvement in the system of internal control has been produced in response and this will be subject to regular monitoring by the Council's Strategic Management Team and the Audit Committee, where appropriate. The aim is to address these weaknesses during the 2015/16 financial year.

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Appendix A

Year	Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
2012/13	ICT 2011/12. 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. *A Business Impact Assessment was completed in July 2013.* *DR now completed and working, with Craven. April 2014.* *Business Continuity – Action Plans have been drawn up and BCP training is being planned. April 2015.*

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Appendix A

Year	Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
2013/14	Again, reconciliations of bank accounts and feeder systems have been undertaken although some delays have been seen.	Internal Audit Report	The Lead Officer - Finance will ensure that reconciliations are maintained up-to-date.	The Lead Officer - Finance and Access Selby Directors Immediate	May 2015 Some delay in reconciliations has been experienced during 2014/15 but management continue to work with responsible officers to maintain focus on this work.
2013/14	Information Governance and breaches in Data Protection are not adequately managed.	Internal Audit Report	Solicitor to the Council Plans are now in place to: • Assign clear roles and responsibilities; • Approve and implement the necessary policies and procedures; • Deliver a targeted training programme; • Ensure adequate reporting arrangements; and • Consider appropriate disciplinary procedures for data breaches. Internal Audit to assist/advise.		April 2015 Good progress has been made and the approved action plan has been implemented.

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Appendix A

Year	Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
2014/15	Non compliance with the Payment Card Industry Data Security Standard (PCI DSS)	Internal Audit report	Agreed actions: • Management responsibility has been defined • The cardholder data environment will be mapped and documented • Policies and procedures will be developed in relation to PCI DSS • Dependencies on third parties will be explored and assessed • Responsibility for completing annual self-assessment questionnaires will be assigned Internal Audit to assist/advise.	TBC	April 2015 The report is currently in draft stage and should be finalised shortly. At this stage, the timescales for implementation will be agreed. Veritau will provide advice and assistance where necessary and will re-audit procedures later in 2015-16.

Mary Weastell
Chief Executive

Councillor Mark Crane
Leader of the Council

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SELBY DISTRICT COUNCIL

Report Reference Number: A/15/8 **Agenda Item No: 7**

To:	**Audit Committee**
Date:	**29 September 2014**
Author:	**Jodie Taylor, Lead Officer - Finance**
Lead Officer:	**Karen Iveson, Executive Director s151**

Title: **Statement of Accounts 2014/15**

Summary: The purpose of this report is to enable Councillors to undertake an examination of the Council's financial accounts for the financial year 2014/15 and seek approval of them.

Recommendations:

Councillors approve the 2014/15 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 30th September following the financial yearend.

1.2 The 2014/15 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 obligations placed upon the Council and the content of the Accounts presented is largely prescribed by the statutory and professional guidance.

2.2 The audited Council's Statement of Accounts for 2014/15 is attached for approval at Appendix A, and was signed by the Council's Chief Financial Officer (Executive Director s151) on 3 September 2015. The Accounts have been prepared in accordance with the code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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2.3 It is important that the council has sound financial, governance and resource management arrangements in place to ensure that the 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 2014/15, 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 13 July 2015 until 7 August 2015 and the auditor was available on 10 August 2015 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 2014/15 closedown working papers.

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Contact Officer:

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jotaylor@selby.gov.uk

Appendices:

Appendix A: 2014/15 Statement of Accounts
Appendix B: Explanatory paper to the Accounts

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SELBY DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2014/2015

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SELBY DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2014/15

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Copies of this and previous years accounts are available for viewing, along with other information about the Council's services on the Authority's website at www.selby.gov.uk 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.

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LEADER'S FOREWORD

The Statement of Accounts for 2014/15 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'

The Council is committed to continuing its progress with delivering services within the scope of its mission - over the last four years this has been 'to make a stronger Selby District' by 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 Programme for Growth. Work has been on-going during the year 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 continued our refurbishment programme to a number of Council owned homes and construction work was completed on the new leisure centre in Selby to enhance service provision and reduce costs in the long term. This new centre opened on 14 March 2015.

Our service delivery arm, 'Access Selby' has again performed well over the last year. Our sound financial management means we have some resilience to help us cope with the challenges we are facing 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 remain 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

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EXPLANATORY FOREWORD

1. Introduction

The purpose of this foreword is to provide an easily understandable guide to the most significant matters reported in the accounts, and an explanation in overall terms of the 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 2014/15" (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 2014 to 31 March 2015:

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 shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from 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 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 2014/15 and presents a review of the effectiveness of the system as required by the CIPFA/SOLACE 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, non-domestic rates 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 2014/15

Revenue expenditure for 2014/15 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 - Where the money came from - £48.724m

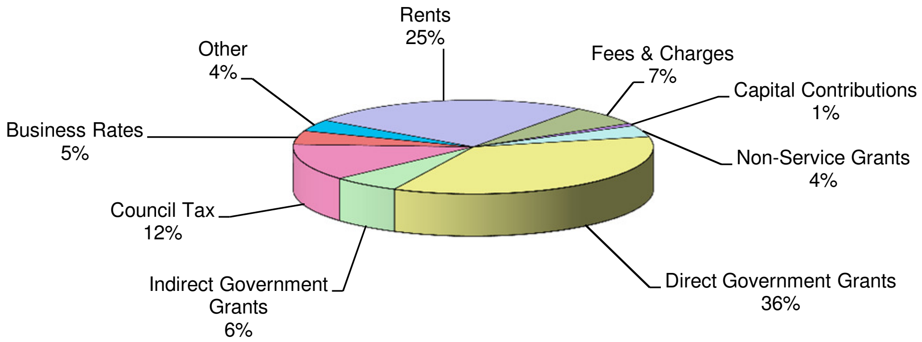

Chart 1 above shows income received in the year of £48.724m. 42% (£20.3m) of this is received from the government as formula (or indirect) grants, i.e. grants that are not ring-fenced for specific purposes, and direct grants, mainly to fund benefit payments. Council Tax provides a further £6.1m, which includes £1.6m for Parish Council precepts, and business rates contribute £2.3m. Rents provide £12.4m of which £12m is from housing rents.

Chart 2 - What the money is spent on - £48.724m

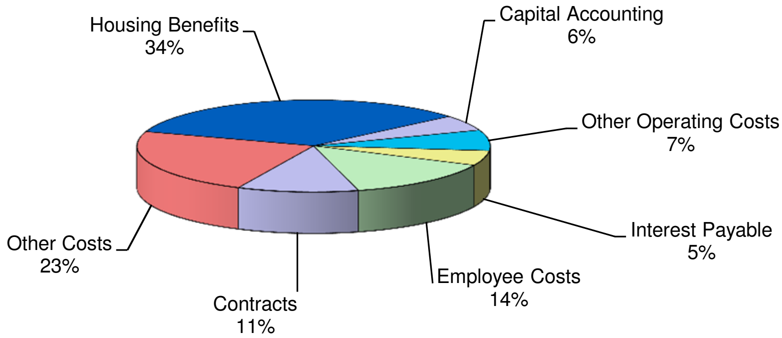

Chart 2 above shows that the largest proportion of the Council's money (£16.5m) is spent on Housing benefit payments. Other costs total £11.2m, which includes the running costs of services including the HRA, £6.8m was spent on employee costs, with contracts for recycling, refuse collection, street cleansing, and leisure costing £5.4m. Other operating costs total £3.5m of which the largest elements are parish precepts at £1.6m and drainage board levies at £1.5m. Interest payable and capital accounting cost £2.5m and £2.7m respectively, with contributions from Earmarked Reserves providing £3.7m of funds.

Chart 3 following shows the gross cost of the service provision by the Council as set out in the Comprehensive Income and Expenditure Statement (page 20) together with the other items of expenditure which have to be funded. The largest proportion of service expenditure (£18.9m) is Housing Services (non HRA) which includes housing benefit payments.

During the year a net £3.7m was transferred from earmarked reserves. In addition to these, accounting adjustments which are determined by the Code of Practice, reduced costs by £0.6m. The major accounting adjustments relate to the transfer from the HRA to the Major Repairs Reserve to meet future capital and debt redemption costs (£4.9m) reduced by the transfer from the Capital Adjustment Account of set-aside resources to offset depreciation and revaluation charges (£2.4m) and the transfer from the Collection Fund Adjustment Account to reverse the business rate year-end transactions (£3.3m).

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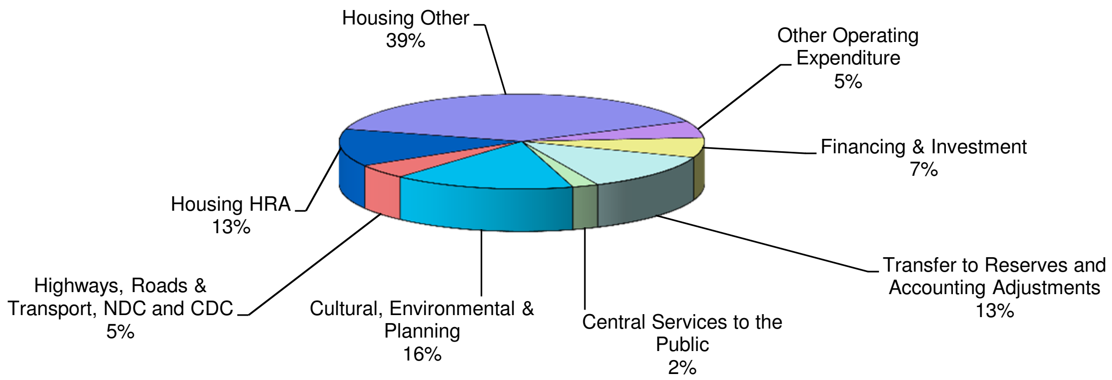
4. Revenue Spending in 2014/15 continued ......

Chart 3 - The services provided - £48.724m



Financial Performance in 2014/15 Compared to Agreed Budget

The latest approved budget anticipated a break-even position for the General Fund and a transfer to the HRA Major Repairs Reserve (MRR) of £1.009m. The out-turn position was that the contribution to the General Fund surplus was £429k and the Housing Revenue Account surplus was £1.250m. 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 2014/15 for General Fund services compared to the latest approved budget.

	Latest Approved Budget £'000	Actual £'000	Difference £'000
Net Cost of Services	8,696	7,966	(730)
Parishes Precepts	1,562	1,562	-
Internal Drainage Board Levies	1,563	1,544	(19)
Interest Payable and Similar Charges	112	138	26
Investment Interest	(250)	(165)	85
Non Cash Adjustments included in (Surplus)/Deficit	-	925	925
Net Operating Expenditure	**11,683**	**11,970**	**287**
Revenue Support Grant	(2,520)	(2,520)	-
Non Service Related Government Grants	(1,840)	(2,791)	(951)
Business Rates	(2,190)	(2,301)	(111)
Council Tax Precept (including parish precepts)	(5,999)	(5,999)	-
Net (surplus) / deficit	**(866)**	**(1,641)**	**(775)**
Other Non Cash Adjustments	1,452	5,630	4,178
Transfers to / (from) Reserves	(586)	(4,418)	(3,832)
Transfers (to) / from GF Balances	**-**	**(429)**	**(429)**

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4. Revenue Spending in 2014/15 continued ......

The previous table shows a saving against net cost of services of £730k. 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	(244)	Variance arising from frozen posts, unfilled vacancies and pension adjustments.
Customer & Client Receipts	(165)	Includes Groundwork income offsetting salary costs, similarly with Community Safety offset by a shortfall on rentals from Industrial Units due to occupancy.
Housing Benefits	18	Net Grant income was lower than projected as a result of reduced rent allowance and rebate subsidy offset by reduced payments to tenants. Also included is the net impact of the provision for housing benefit debt overpayments.
Affordable Housing Contributions	(121)	Section 106 contributions to affordable housing schemes, the balance has been transferred to reserves for future usage.
Recycling Income	25	Net increase in recycling contractor costs as a result of greater volumes of recyling materials particularly green waste. As more is recycled costs of disposal and collection rise.
Planning Fee Income	(161)	Large applications were received during the year, exceeding projections.
Developer Contributions	(47)	Contributions from developers towards the maintenance of adopted areas transferred to earmaked reserves for future usage.
Supporting People	42	Increase in private payers for the service, offset by a reduction in central grant allocations
Land Charges	52	Provision for litigation costs relating to changes in the policy for charging for services.
Waste Collection	(22)	Net saving on the streetscene and waste collection contract including reduced trade waste costs due to increased recycling.
Miscellaneous	(107)	Numerous smaller variances contributing towards the final surplus.
Total	(730)	

Increased expenditure on interest payable and similar charges has arisen due to the timing of interest payments due on external borrowing.

Investment income was originally budgeted at £250k. Due to the interest rates remaining at 0.5% and the impact of the economic climate reducing the cash balances the Council had available for investment, the outturn is lower at £165k. The impact of the base rate remaining at 0.5% for longer than expected will have an effect in 2015/16 and beyond. This has been taken in to account in the Councils budgets going forward.

4. Revenue Spending in 2014/15 continued ......

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.

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 asset depreciation, capital accounting adjustments and pension fund adjustments. In addition there is a transaction of £2.8m which relates to the accounting treatment required for the business rates arrangements. This entry arises because the Accounting Code requires local authorities to include the original estimate for the year as their out-turn rather than the actual out-turn. To counter the impact this would have on the accounts this sum has been adjusted by a corresponding entry with earmarked reserves so that there will be no impact on the 2015/16 accounts resulting from 2013/14 transactions.

Housing Revenue Account

The Housing Revenue Account (HRA) was estimated to make a surplus of £1.024m which was to be transferred to the Major Repairs Reserve (MRR) to support funding of the capital programme and the Access Selby Reserve. The out-turn position is that a surplus of £1.250m was made, consisting of £157k on Access Selby and £1.093m on Core Services, giving an overall surplus of £226k. The surplus on Access Selby has been transferred to HRA Balances and the Core surplus has been transferred to the Major Repairs Reserve.

	Latest Approved Budget £'000	Actual £'000	Difference £'000
Net Cost of Services	(6,693)	(6,502)	191
Interest Payable and Similar Charges	2,638	2,414	(224)
Investment Interest	(40)	(40)	-
Non Cash Adjustments included in Surplus/Deficit	233	(302)	(535)
Net (surplus) / deficit	**(3,862)**	**(4,430)**	**(568)**
Capital Expenditure financed from revenue	1,460	1,562	102
Other Non Cash Adjustments	1,119	1,363	244
Transfers to / (from) Reserves	259	255	(4)
(Surplus) / Deficit available for distribution	**(1,024)**	**(1,250)**	**(226)**
Transfers (to) / from MRR	**(1,009)**	**(1,093)**	**(84)**
Transfers (to) / from HRA Balances	**(14)**	**(157)**	**(143)**

The previous table shows a difference against net cost of services of £191k. The table following 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.

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4. Revenue Spending in 2014/15 continued ......

Housing Revenue Account	Variance £'000	Reason for Variance
Dwellings Repairs & Maintenance	(9)	Various savings including solid fuel servicing, vehicle leases and subcontractors, offset by asbestos surveys, responsive repairs materials & equipment and skip usage.
Sundry	193	Shortfall due to revaluation and impairment of HRA assets offset by savings from running costs and utilities for community centres, hostels and communal areas.
Customer & Client Receipts	(45)	High occupancy at the Hostels, recharges to former tenants and admin income from RTB.
Recharge Income	(40)	Recharges for support to Capital Schemes and increased Private Payers for the Supporting People Scheme.
HRA Share of Support Services	7	Recharges from the General Fund for HRA services, including Corporate Management.
Provision for Bad Debts	139	Contributions meet the impact of write-offs in year whilst maintaining appropriate levels in the provision for Rent Payers £145k and other HRA debtors £62k.
Rent - Dwellings & Garages	(54)	Income exceeded estimates, partly due to quicker turnaround and re-let of void properties and garage availability.
Total	191	

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 and pension fund adjustments.

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 2015 and financial resources are being carried forward to 2015/16 to complete these projects. The total value of carry forwards is £2.369m (£607k Housing Revenue Account, £1.762m General Fund).

The detailed Core Financial Statements and accompanying notes are shown on pages 19 to 108.

5. Capital Expenditure

In 2014/15 the Council spent £9.560m (2013/14 £6.850m) on its capital programme (£6.593m General Fund and £2.967m Housing Revenue Account). An analysis of where the money was spent and the sources of funding are shown in the following two tables:

Capital Programme Analysis	Actual £'000	Proportion %
Council Dwelling Improvements	2,967	31.0%
Equipment & Vehicles, including Intangible Assets (e.g. computer software)	286	3.0%
Other Land and Buildings, including Community Assets	6,019	63.0%
Home Improvement Grants and Loans and Disabled Facilities Grants	248	2.6%
Other Grants Expenditure Funded from Capital	40	0.4%
Total	**9,560**	**100%**

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5. Capital Expenditure continued ……

Where the money came from	Actual £'000	Proportion %
Government Supported Borrowing	-	0.0%
Prudential Borrowing	-	0.0%
Capital Receipts	(2,913)	30.5%
Major Repairs Reserve	(1,401)	14.7%
Grants and Contributions	(568)	5.9%
Revenue and Reserves	(4,678)	48.9%
Total	**(9,560)**	**100%**

Explanation of variances against budget

The Council expected to spend £11.202m on its capital programme, £7.255m on General Fund and £3.914m 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 £0.695m on the General Fund and £0.947m on the Housing Revenue Account. Work on these projects will be completed in 2015/16 or later.

The majority of the variation on the HRA relates to the timing of payments for renovation works.

The major items of capital expenditure in 2014/15 were as follows:

	Actual £'000
New Leisure Centre and village	5,769
Equipment, including Lifeline	286
Airey House repairs	1,174
Central Heating systems	1,004
Rewiring	209
Damp works	262
Other Housing improvements	318
Total	**9,022**

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 2014/15.

7. Collection Fund

At 31 March 2015 there is a surplus on the Collection Fund of £1.9m. The Council Tax element is a surplus of £1.6m of which £1.4m is owed to North Yorkshire County Council, North Yorkshire Police Authority and North Yorkshire Fire and Rescue Authority. There is a surplus of £310k for non-domestic rates. Of the surplus £155k is to owed to the central government and £31k to North Yorkshire County Council and North Yorkshire Fire and Rescue Authority. The collection rates for recovery of 2014/15 bills was 97.82% for Council Tax and 98.95% for Non-Domestic Rates.

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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 £17.957m at 31 March 2014 to £22.869m at 31 March 2015 based on the 2013 triennial review of the fund. This liability is set out in detail in note 42 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 assessed by the scheme actuary. The increase in the Pension Liability of £4.9m 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 22 shows that the net worth of the Council increased by £2.7m to £61.8m. Significant movements on the balance sheet include the effect of additions to non-current assets of £9.3m arising from expenditure on the capital programme offset by the net impact of disposals, depreciation and revaluations of £1.9m, and the transfer of an asset to Investment Properties at a value of £0.5m. Long and short-term investments are reduced by £3.0m whilst cash equivalents increases by £4.3m to reflect the decision to deposit more money for periods of less than three months so that the Council is in a position to take advantage of improved rates when the market recovers.

Short-term debtors show a reduction of £6.9m which reflects the removal of large debtor transactions in 2013/14 for business rates and safety net adjustments (£6.2m). Short-term creditors are reduced by £5.4m which includes the removal of the £6.0m due to central government in 2013/14 relation to transitional relief support. The other significant movement on the balance sheet is that the liability related to the North Yorkshire Pension scheme increased by £4.9m largely due to an increase in the value of actuarial losses from changes in financial assumptions.

In 2014/15 the Council received capital receipts of £1.2m from the sale of council houses and other land and buildings. After the deduction of allowable costs and the payment of £0.5m to the Government pool, receipts of £2.9m were applied to fund capital expenditure.

10. Review of the Council's Current Financial Position

At the 31 March 2015 the Council's usable reserves stood at £18.4m compared to £23.1m at the end of 2013/14 the impact of funding of the new leisure centre and other capital projects. Included within these figures are £4.0m (£1.7m General Fund and £2.3m HRA) of unallocated revenue reserves. The Movement on the Housing Revenue Account Statement on page 93 shows that a contribution of £157k was made to the HRA unallocated reserve instead of the budgeted £14k for the Access Selby Surplus. The explanation of variances against budget on page 7 shows that the actual contribution to the General Fund unallocated reserves was £429k (£63k Access Selby Surplus and £366k Core Surplus to the Contingency Reserve), in line with the contribution in the approved budget. The Council has not approved any increase to or reduction from these balances as part of the budget package for 2015/16.

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 £3.807m towards its target of £4.884m by 2017/18 which is required as a consequence of the cuts in grant funding from Central Government.

10. Review of the Council's Current Financial Position continued ……

The remaining usable reserves include £11.2m earmarked reserves, £1.1m major repairs reserve and £2.0m capital receipts reserve. The latter two represent sums set aside to meet the cost of future capital programme costs. Although earmarked reserves have decreased by £3.7m in the year £3.2m of this relates to the new accounting arrangements for business rates, which was required to meet the Council's share of the 31 March 2014 deficit. The remaining decrease in earmarked reserves reflects the decision to utilise funds to provide resources for project work to generate future savings and develop new working practices, in addition contributions are made to provide for potential cost pressures. The decrease 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 2014/15 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) as set out in 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.

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.

Reductions and Changes to Funding from Central Government: Reductions in central government funding is set to continue for the foreseeable future and the risk to business rates income continues with anticipated closure of two large businesses in the district. 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, but increased income from planning fees suggests graeter confidence in the building industry and lower 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.

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12. Future Developments continued ……

Pension Fund Deficit: The 2013 triennial valuation resulted in the stabilising of employers' contribution rates. However the long-term risk to the Council's revenue budget remains. The Council has been preparing for this by setting aside £186k 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 continues on a £5m programme of initiatives to stimulate growth through jobs, housing and infrastructure, retail and leisure. The programme is aligned to the priorities identified within the Council's Corporate Plan and is funded through earmarked reserves and New Homes Bonus. The Council has refreshed its Corporate Plan for 2015 and future funding commitments will be considered in light of this new plan.

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.

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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 19 - 108 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 2015.

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

Approval of the Accounts

This Statement of Accounts was approved by a resolution of the Audit Committee of Selby District Council on 29 September 2015.

Councillor M Jordan
Chair of Audit Committee **Dated**

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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 2015 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, 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 2014/15.

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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 2015 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 2014/15.

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.

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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, 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 2015.

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, 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 2015.

Certificate

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

Cameron Waddell

For and on behalf of Mazars LLP, Appointed Auditors

The Rivergreen Centre
Aykley Heads
Durham, DH1 5TS

29 September 2015

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 Council Reserves £000
Balance at 31 March 2012	**(2,290)**	**(7,794)**	**(1,639)**	**(1,083)**	**(871)**	**(505)**	**(228)**	**(14,410)**	**(30,939)**	**(45,349)**
<u>Movement in reserves during 2012/13</u>										
(Surplus) or deficit on provision of services	(4,376)	0	684	0	0	0	0	**(3,692)**	**0**	**(3,692)**
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	**0**	**3,050**	**3,050**
Total Comprehensive Expenditure and Income	**(4,376)**	**0**	**684**	**0**	**0**	**0**	**0**	**(3,692)**	**3,050**	**(642)**
Restated Adjustments between accounting basis & funding basis under regulations (note 7)	2,555	0	(609)	0	754	(3,331)	0	**(631)**	**631**	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(1,821)**	**0**	**75**	**0**	**754**	**(3,331)**	**0**	**(4,323)**	**3,681**	**(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**	**754**	**(3,331)**	**0**	**(4,323)**	**3,681**	**(642)**
Restated Balance at 31 March 2013 carried forward	**(1,545)**	**(10,380)**	**(1,691)**	**(936)**	**(117)**	**(3,836)**	**(228)**	**(18,733)**	**(27,258)**	**(45,991)**
<u>Movement in reserves during 2013/14</u>										
(Surplus) or deficit on provision of services	(1,220)	0	(3,310)	0	0	0	0	**(4,530)**	**0**	**(4,530)**
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	**0**	**(8,592)**	**(8,592)**
Total Comprehensive Expenditure and Income	**(1,220)**	**0**	**(3,310)**	**0**	**0**	**0**	**0**	**(4,530)**	**(8,592)**	**(13,122)**
Restated Adjustments between accounting basis & funding basis under regulations (note 7)	(3,005)	0	3,390	0	26	(273)	0	**138**	**(138)**	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(4,225)**	**0**	**80**	**0**	**26**	**(273)**	**0**	**(4,392)**	**(8,730)**	**(13,122)**
Transfers to/from Earmarked Reserves (note 8)	4,096	(4,146)	(488)	538	0	0	0	**0**	**0**	**0**
Increase/Decrease (movement) in Year	**(129)**	**(4,146)**	**(408)**	**538**	**26**	**(273)**	**0**	**(4,392)**	**(8,730)**	**(13,122)**
Restated Balance at 31 March 2014 carried forward	**(1,674)**	**(14,526)**	**(2,099)**	**(398)**	**(91)**	**(4,109)**	**(228)**	**(23,125)**	**(35,988)**	**(59,113)**

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MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £000	Earmarked GF Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000
Restated Balance at 31 March 2014	**(1,674)**	**(14,526)**	**(2,099)**	**(398)**	**(91)**	**(4,109)**	**(228)**	**(23,125)**	**(35,988)**	**(59,113)**
Movement in reserves during 2014/15										
(Surplus) or deficit on provision of services	(1,744)	0	(4,430)	0	0	0	0	**(6,174)**	**0**	**(6,174)**
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	**0**	**3,469**	**3,469**
Total Comprehensive Expenditure and Income	**(1,744)**	**0**	**(4,430)**	**0**	**0**	**0**	**0**	**(6,174)**	**3,469**	**(2,705)**
Adjustments between accounting basis & funding basis under regulations (note 7)	5,732	0	4,018	0	(1,001)	2,106	0	**10,855**	**(10,855)**	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**3,988**	**0**	**(412)**	**0**	**(1,001)**	**2,106**	**0**	**4,681**	**(7,386)**	**(2,705)**
Transfers to/from Earmarked Reserves (note 8)	(3,988)	3,942	255	(209)	0	0	0	**0**	**0**	**0**
Increase/Decrease (movement) in Year	**0**	**3,942**	**(157)**	**(209)**	**(1,001)**	**2,106**	**0**	**4,681**	**(7,386)**	**(2,705)**
Balance at 31 March 2015 carried forward	**(1,674)**	**(10,584)**	**(2,256)**	**(607)**	**(1,092)**	**(2,003)**	**(228)**	**(18,444)**	**(43,374)**	**(61,818)**

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COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2013/14				2014/15			
Expenditure £'000	Income £'000	Net Exp. £'000		Expenditure £'000	Income £'000	Net Exp. £'000	Notes
1,253	(506)	747	Central Services to the Public	1,120	(516)	604	
-	-	-	Exceptional Item - prior year's deferred business rates income	-	(361)	(361)	
1,118	(195)	923	Cultural and Related Services	1,278	(266)	1,012	
592	-	592	Exceptional Item - Impairment cost of Abbey Leisure Centre Demolition	-	-	-	
4,820	(1,752)	3,068	Environmental and Regulatory Services	4,910	(1,651)	3,259	
1,719	(768)	951	Planning Services	1,644	(959)	685	
206	(347)	(141)	Highways and Transport Services	236	(354)	(118)	
-	-	-	Exceptional Item - Revaluation costs of land of land now used for car parking	478	-	478	
6,322	(12,437)	(6,115)	Local Authority Housing (HRA)	6,211	(12,713)	(6,502)	
18,586	(17,791)	795	Other Housing Services	18,934	(17,901)	1,033	
1,885	(22)	1,863	Corporate and Democratic Core	1,543	(22)	1,521	
65	(6)	59	Non Distributed Costs	123	(35)	88	
237	-	237	Exceptional Item - Revaluation costs of unused assets	-	-	-	
36,803	**(33,824)**	**2,979**	**Cost of Services**	**36,477**	**(34,778)**	**1,699**	
		3,149	**Other Operating Expenditure**			2,755	9
		3,398	**Financing and Investment Income & Expenditure**			3,113	10
		(14,056)	**Taxation and Non-Specific Grant Income**			(13,741)	11
		(4,530)	**(Surplus) or Deficit on Provision of Services**			**(6,174)**	
			Other Comprehensive Income and Expenditure				
		(514)	Surplus or deficit on Revaluation of Property, Plant and Equipment Assets			(1,060)	27.1
		328	Impairment Losses on Non-Current assets charged to the Revaluation Reserve			-	27.1
		2	(Surplus) / Deficit on revaluation of available for sale financial assets			-	27.2
		(8,408)	Remeasurement of the net defined benefit liability			4,529	43
		(8,592)	**Total Other Comprehensive Income and Expenditure**			**3,469**	
		(13,122)	**Total Comprehensive Income and Expenditure**			**(2,705)**	

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BALANCE SHEET

31-Mar-13 Restated £'000	31-Mar-14 Restated £'000		31-Mar-15 £'000	31-Mar-15 £'000	Notes
113,766	116,267	Property Plant & Equipment	123,238		12
-	-	Investment Property	500		16
154	67	Intangible Assets	-		17
6,074	4,030	Long Term Investments	7		18
287	260	Long Term Debtors	355		19
120,281	**120,624**	**Total Long Term Assets**	**124,100**		
9,147	8,064	Short Term Investments	9,038		18
18	7	Inventories and Work in Progress	8		21
6,229	9,796	Short Term Debtors	2,893		18,19,22
1,385	10,706	Cash and Cash Equivalents	15,027		23
16,779	**28,573**	**Total Current Assets**	**26,966**		
137,060	**149,197**	**Total Assets**		**151,066**	
(620)	(621)	Short Term Borrowing	(629)		18
(3,411)	(9,956)	Short Term Creditors	(4,501)		24
-	(514)	Provisions	(474)		25
(4)	-	Revenue Grants Receipts In Advance	(153)		37
(4,035)	**(11,091)**	**Total Current Liabilities**	**(5,757)**		
(60,299)	(60,299)	Long Term borrowing	(60,299)		18
		Other Long Term Liabilities:			
(25,595)	(17,957)	Defined Benefit Pension Scheme	(22,869)		43
(1,140)	(737)	Finance Leases	(323)		40
(87,034)	**(78,993)**	**Total Long Term Liabilities**	**(83,491)**		
(91,069)	**(90,084)**	**Total Liabilities**		**(89,248)**	
45,991	**59,113**	**Net Assets**		**61,818**	
(18,733)	(23,125)	**Usable Reserves**		(18,444)	26
(27,258)	(35,988)	**Unusable Reserves**		(43,374)	27
(45,991)	**(59,113)**	**Total Reserves**		**(61,818)**	

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

CASH FLOW STATEMENT

2013/14 £'000		2014/15 £'000	Notes
(4,530)	Net (Surplus)/Deficit on the Provision of Services	(6,174)	
(7,405)	Adjustments to net (surplus)/deficit on the provision of services for non-cash movements	(5,368)	28
4,256	Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	1,833	28
(7,679)	**Net Cash Flow from Operating Activities**	**(9,709)**	
(1,617)	**Investing Activities**	5,963	29
(25)	**Financing Activities**	(575)	30
(9,321)	**Net increase or decrease in cash and cash equivalents**	**(4,321)**	
(1,385)	Cash and cash equivalents at the beginning of the reporting period	**(10,706)**	
(10,706)	**Cash and cash equivalents at the end of the reporting period**	**(15,027)**	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 2013/14 financial statements and the equivalent amounts presented in the 2014/15 financial statements. None of these changes have affected the general fund balances held by the Council.

Cash Flow

While making the changes needed to present the cash flow as indirect rather than direct an error was found in the figures presented in the 2013/14 accounts relating to the treatment of one of the new transactions in the year resulting from the changes to the national non-domestic rating system. This has no impact on the Council's balances. The changes are shown below:

	2013/14 Statements £'000	Adjustment Made £'000	2014/15 Statements £'000
Cash Flow Statement			
Net (Surplus)/Deficit on the Provision of Services	(4,530)	-	(4,530)
Adjustments to net (surplus)/deficit on the provision of services for non-cash movements	(22,079)	14,674	(7,405)
Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	4,256	-	4,256
Net Cash Flow from Operating Activities	(22,353)	14,674	(7,679)
Investing Activities	(1,617)	-	(1,617)
Financing Activities	14,649	(14,674)	(25)
Net increase or decrease in cash and cash equivalents	(9,321)	-	(9,321)
Total Movement		**-**	
Note 28 - Cash Flow Operating Activities			
Movement in debtors	(16,265)	14,674	(1,591)
Total Movement		**14,674**	
Note 30 - Financing Activities			
Other payments for financing activities	14,244	(14,674)	(430)
Total Movement		**(14,674)**	

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Restatement of Accounts continued ......

Voluntary Payment of Debt
credited to the Major Repairs Reserve, a Usable Reserve. Following a review of this treatment it has been identified that the contribution would be more appropriately credited to the Capital Adjustment Account, which is an Unusable Reserve. There is no impact on the revenue accounts of the Council. The changes are set out below:

	2013/14 Statements £'000	Adjustment Made £'000	2014/15 Statements £'000
2012/13 Transactions:			
Movement in Reserves Statement			
Adjustments between accounting basis and funding basis under regulations (note 7)			
- Major Repairs Reserve	(421)	1,175	754
- Total Unusable Reserves	1,806	(1,175)	631
Total Movement		-	
Balance Sheet			
- Usable Reserves	(19,908)	1,175	(18,733)
- Unusable Reserves	(26,083)	(1,175)	(27,258)
Total Movement		-	
Note to the Movement on the Housing Revenue Account Statement			
- Transfer to / (from) Major Repairs Reserve	2,564	(1,175)	1,389
- Transfer to / (from) the Capital Adjustment Account	(5,290)	1,175	(4,115)
Total Movement		-	
2013/14 Transactions:			
Movement in Reserves Statement			
Adjustments between accounting basis and funding basis under regulations (note 7)			
- Major Repairs Reserve	(1,149)	1,175	26
- Total Unusable Reserves	1,037	(1,175)	(138)
Total Movement		-	
Balance Sheet			
- Usable Reserves	(25,475)	2,350	(23,125)
- Unusable Reserves	(33,638)	(2,350)	(35,988)
Total Movement		-	
Note to the Movement on the Housing Revenue Account Statement			
- Transfer to / (from) Major Repairs Reserve	2,577	(1,175)	1,402
- Transfer to / (from) the Capital Adjustment Account	(1,578)	1,175	(403)
Total Movement		-	

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. 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 2014/15 and the Service Reporting Code of Practice 2014/15 (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.

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.

1. Accounting Policies continued ……

iii. Underlying Assumptions continued ……

(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.

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.

1. Accounting Policies continued ……

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 has changed its presentation to the Indirect Method in 2014/15 which brings it in line with CIPFA's preferred method and therefore with the presentation of most other Councils.

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. Council Tax Income

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 non-domestic rates. The Fund's key features relevant to accounting for council tax in the core financial statements are:

In its capacity as a billing authority the Council acts as an agent: it collects and distributes Council Tax income on behalf of the major preceptors and itself. The major preceptors are North Yorkshire County Council, North Yorkshire Police Authority and North Yorkshire Fire and Rescue Authority.

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.

1. Accounting Policies continued ……

viii. Council Tax Income continued ……

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.

ix. 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 fund 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, revaluation and impairment losses and amortisation 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.

x. Employee Benefits

(a). Benefits Payable During Employment

Short term employee benefits are those due to be settled wholly 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 in exchange for those benefits. They are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

1. Accounting Policies continued ……

x. Employee Benefits continued ……

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

(c). Post Employment Benefits (Pensions)

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

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

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

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

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

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

Service costs, which comprise:

- Current service cost - the increase in liabilities as a result of years of service earned this year. This is 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 as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. This is debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Interest cost - the net interest on the net defined benefit liability, i.e. net interest expense for the Council. The change during the period in the net defined benefit liability that arises from the passage of time is charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

1. Accounting Policies continued ……

x. Employee Benefits continued ……

Remeasurements, which comprise:

- The return on plan assets - excluding amounts included in net interest on the net defined benefit liability - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.
- 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 as Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.
- Contributions paid to the North Yorkshire Pension Fund - cash paid as employer's contributions to the pension funding settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund and Housing Revenue Account to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to relevant accounting standards. Where this does not match the amount charged to the Comprehensive Income and Expenditure Statement for the year (i.e. the amount of pension earned by employees) the difference is taken to the Pensions Reserve. This item is shown as a reconciling item within the Movement in Reserves Statement. This means that there are appropriations to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund and Housing Revenue Account of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

Further information in respect of pensions is disclosed at note 39 to the Core Financial Statements.

xi. 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.

1. Accounting Policies continued ……

xii. 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.

xiii. 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 Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For 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.

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

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

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.

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.

1. Accounting Policies continued ……

xiii. Financial Instruments continued ……

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 Financing and Investment Income and Expenditure line in 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.

However, the Council has made a loan to a voluntary organisation at less than market rates (soft loan). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisation, with the difference serving to increase the amortised cost of the loan in the Balance sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year - the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or within the Financing and Investment Income and Expenditure line 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 Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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 Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained 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 Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Available-for-Sale Reserve.

BACK TO AGENDA

1. Accounting Policies continued ……

xiii. Financial Instruments continued ……

Where any assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in 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 Financing and Investment Income and Expenditure line in 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 Conversion Stock which are shown as long term investments on the balance sheet.

xiv. 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.

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.

xv. 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.

1. Accounting Policies continued ……

xv. Intangible Assets continued ……

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

An asset is tested for impairment whenever there is an indication that it might be impaired - any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line 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.

xvi. Interest in Companies and Other Entities

The Council has a small share-holding (£2,520) in Veritau North Yorkshire Limited which is a private limited company. Veritau Ltd owns 50% of the share capital and four district councils, one of which is Selby District Council, own 12.5% each. Due to the value involved this does not require the Council to prepare Group Accounts.

xvii. 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.

xviii. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for sale proceeds greater than £10,000) the Capital Receipts Reserve.

BACK TO AGENDA

1. Accounting Policies continued ……

xix. 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 recognises on its Balance Sheet the assets that it controls and the liabilities that it incures and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or 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 accounts for only its share of the jointly controlled assets, the liabilities and the expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

The Council is in partnership with Ryedale, Hambleton, Richmondshire and Scarborough Councils for the delivery of Building Control services. Selby, Scarborough and Ryedale Councils have also entered into a partnership to jointly procure goods and services. Due to the small level of assets (reserves) that these partnerships have 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 their share of the reserve.

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.

xx. 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 line of the Comprehensive Income and Expenditure Statement).

BACK TO AGENDA

1. Accounting Policies continued ……

xx. Leases continued ……

(a). The Council as Lessee 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 line 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 line 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 ……

xx. Leases continued ……

(b). The Council as Lessor 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 line 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.

xxi. Non-Domestic Rates (NDR) Income

With effect from 1 April 2013 the Government's localisation of business rates was introduced and the financing and accounting arrangements for NDR billing and income collection were changed. The following policy applies from 1 April 2013.

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 non-domestic rates. The Fund's key features relevant to accounting for non-domestic rates in the core financial statements are.

In its capacity as a billing authority the Council acts as an agent: it collects and distributes NDR income on behalf of the government, major preceptors and itself. The major preceptors are North Yorkshire County Council and North Yorkshire Fire and Rescue Authority.

While the NDR 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 the government and major preceptors. The amount credited to the General Fund under statute is the Council's pre-determined share 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.

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

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

BACK TO AGENDA

1. Accounting Policies continued ……

xxi. Non-Domestic Rates (NDR) Income continued ……

The Cash Flow Statement of the Council includes in Revenue Activities cash flows only of its own share of NDR net cash collected from NDR debtors in the year; and the amount included for precepts paid excludes amounts paid to the government and major preceptors. The difference between the government and major preceptors' share of the net cash collected from NDR debtors and net cash paid to the government and 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.

xxii. 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 2014/15 (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

The main bases of allocation are outlined as follows:

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

xxiii. 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.

xxiv. 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.

1. Accounting Policies continued ……

xxiv. Private Finance Initiative (PFI) Scheme continued ……

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

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

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

xxv. 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 charged 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 line 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.

BACK TO AGENDA

1. Accounting Policies continued ……

xxv. 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.

All land and buildings (other than Council Dwellings) were revalued at 31 March 2015. In accordance with the Code, all land and buildings that are not revalued 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 a 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 ……

xxv. 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 line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

BACK TO AGENDA

1. Accounting Policies continued ……

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

xxvi. Provisions, Contingent Liabilities and Contingent Assets

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

Provisions are charged as an expense to the appropriate service line(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.

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.

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.

xxvii Reserves

The Council maintains separate balances for the General Fund and Housing Revenue Account to or from which appropriations are made for annual surpluses or deficits.

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

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

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.

xxviii. 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.

xxiv. 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 yet been adopted

Changes in accounting policies are retrospective unless alternative transitional arrangements are specified in the Code, i.e. the accounts have to be cleared of the effects of previous accounting policy and the new policy applied as if that policy had always been applied. This requires the recalculation of balances and comparative transactions to apply the policy from the date the income, asset or liability was first recognised. In addition, the Code requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code.

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

The standards introduced in the 2015/16 Code that are: IFRS 13 Fair Value Measurement (May 2011), Annual Improvements to IFRSs (2011 – 2013 Cycle) and IFRIC 21 Levies.

The issues included in the Annual Improvements to IFRSs 2011 – 2013 cycle are: IFRS 1: Meaning of effective IFRSs, IFRS 3: Scope exceptions for joint ventures, IFRS 13: Scope of paragraph 52 (portfolio exception) and IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property

It is not anticipated that these changes will have an impact on the Council’s Accounting policies or Statement of Accounts

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

CIPFA has agreed that the 2016/17 accounts will adopt the requirements of the CIPFA Code of Practice on Transport Infrastructure Assets i.e. measurement on a Depreciated Replacement Cost basis. This will require full retrospective restatement of 2015/16 values where applicable. It is not anticipated that the Council will have any assets classed as Transport Infrastructure Assets and this requirement will not have an impact on the accounts, work is ongoing to finalise this.

3. Critical Accounting Judgements In Applying Accounting Policies

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

Classification of Leases

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

Arrangements Containing a Lease

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

Local Government Funding

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

Investment Properties (Commercial Property)

The Council 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.

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

The items in the Council's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are set out in the following paragraphs.

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 £48k and £50k for the total dwellings stock for every year that useful lives had to be reduced.

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

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

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate 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 £1,110k, while a 0.1% increase in inflation assumptions would result in an increase in the pension liability of £1,130k.

However, the assumptions interact in complex ways. During 2014/15 the actuaries advised that the net pensions liability was based on the 2013 actuarial valuation.

Arrears

At 31 March 2015, the Council had a sundry debtors balance of £328k. A review of the significant balances suggested that an impairment of doubtful debts of 5% for debts over 30 days, 15% over 60 days, 40% for those over 90 and less than 364 days and 90% for those over 364 days was appropriate. The impact of the current economic climate is being kept under review to enable an assessment to be made as to whether or not this allowance is sufficient for debt up to 364 days.

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

If collection rates were to deteriorate, a doubling of the amount of impairment for doubtful debts would require an additional £9k to be set aside as an allowance.

The provision for bad and doubtful Council Tax debts is 24.8% of total arrears and has been calculated using prescribed formula. It is considered to be an adequate provision, and the Council includes its share of this sum in its balance sheet. The provision for bad and doubtful debts for national non-domestic rates has been calculated by a detailed analysis of the status of the debtor, including whether or not it is still trading. A provision equal to 60.4% of total arrears has been made, and the Council includes its share in its balance sheet.

Business Rates Appeals

The introduction of the Business Rates Retention Scheme from 1 April 2013 has led to local authorities being liable for their proportionate share of the cost of any successful appeals against business rates charged for all years, including those prior to 1 April 2013. The estimate has been calculated using details of appeals lodged with the Valuation Office and historic data on previous successful appeals. From 1 April 2015 the rules regarding backdated claims have been changed so there should be no further liability for new backdated claims.

Employee Benefits Accrual

The employee benefits accrual cost was calculated for years from 2008/09 to 2014/15. 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:

2013/14 £'000		2014/15 £'000
16,598	Housing benefits	16,440
592	Impairment General Fund - Leisure Centre	-

The Council paid out a total of £16.440m in housing benefits in 2014/15 (£16.598m in 2013/14), this was funded by government subsidy.

Impairments costs were incurred in 2013/14 relating to the demolition of the remains of the former Abbey Leisure Centre which was partially destroyed in a fire in February 2012.

6. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Executive Director s151 on 3 September 2015. 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 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6. Events After the Balance Sheet Date continued ……

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2015 as they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date.

The Council entered into an agreement during May 2015 to develop a £5m capital scheme "Selby Leisure Village" on the same site as the existing Selby Leisure Centre.

The Council purchased Burn Airfeld in July 2015 at a cost of £1.7m. The site is being purchased under general economic powers for long term development.

The DCLG have informed Councils that they intend to amend the Levy and Safety Net regulations to adjust the formula for calculating retained rates income. These changes will apply to the final calculations in respect of 2014/15 and will bring in prior year adjustments for Small Business Rate Relief and other reliefs. The information to calculate the impact on the Council's accounts are not yet available and it is envisaged that any changes will be reflected in the 2015/16 accounts.

7. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance. The General Fund is the statutory fund into which all the receipts of a council are required to be paid and out of which all liabilities of the council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. However, the balance is not available to be applied to funding Housing Revenue Account services.

Housing Revenue Account Balance. This reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or, if in deficit, that is required to be recovered from tenants in future years.

Major Repairs Reserve. The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

Capital Receipts Reserve. This reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied. This reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

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

2014/15	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
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	(766)	(1,600)	-	-	-	2,366
Revaluation losses on Property, Plant and Equipment	-	-	-	-	-	-
Movements in the fair value of Investment Properties	(20)	-	-	-	-	20
Amortisation of intangible assets	(67)	-	-	-	-	67
Capital grants and contributions applied	413	-	-	-	-	(413)
Revenue expenditure funded from capital under statute	(2)	-	-	-	-	2
Loans	-	-	-	(34)	-	34
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	(75)	(399)	-	-	-	474
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	590	936	-	-	-	(1,526)
Capital expenditure charged against the General Fund and HRA Balances	3,111	4	-	-	-	(3,115)
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	21	1,244	-	(1,265)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	2,913	-	(2,913)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	(33)	-	33	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(461)	-	-	461	-	-

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

2014/15	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
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	-	-	-	(2)	-	2
Adjustments primarily involving the Major Repairs Reserve:						
Transfer from the HRA to meet future capital and debt redemption costs	-	3,964	(3,964)	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	2,963	-	-	(2,963)
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	(5)	-	-	-	-	5
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 39)	(1,387)	(295)	-	-	-	1,682
Employer's pensions contributions and direct payments to pensioners payable in the year	1,102	197	-	-	-	(1,299)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	3,278	-	-	-	-	(3,278)
Cost of Services	**5,732**	**4,018**	**(1,001)**	**2,106**	**-**	**(10,855)**

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

2013/14 Restated	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
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	(2,089)	(1,577)	-	-	-	3,666
Revaluation losses on Property, Plant and Equipment	-	-	-	-	-	-
Movements in the fair value of Investment Properties	-	-	-	-	-	-
Amortisation of intangible assets	(81)	(6)	-	-	-	87
Capital grants and contributions applied	1,572	-	-	-	-	(1,572)
Revenue expenditure funded from capital under statute	(130)	-	-	-	-	130
Soft Loans	5	-	-	(20)	-	15
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	(26)	(537)	-	-	-	563
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	593	1,180	-	-	-	(1,773)
Capital expenditure charged against the General Fund and HRA Balances	987	-	-	-	-	(987)
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	(16)	783	-	(767)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	148	-	(148)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	(21)	-	21	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(350)	-	-	350	-	-

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

2013/14 Restated	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
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	-	-	-	(5)	-	5
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	3,951	(3,951)	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	3,977	-	-	(3,977)
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	1	-	-	-	-	(1)
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 39)	(1,415)	(582)	-	-	-	1,997
Employer's pensions contributions and direct payments to pensioners payable in the year	1,028	199	-	-	-	(1,227)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	(3,084)	-	-	-	-	3,084
Cost of Services	**(3,005)**	**3,390**	**26**	**(273)**	**-**	**(138)**

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

2012/13 Restated	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
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	-	-	-	-	-	-
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	1,180	-	-	-	(1,772)
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	-	-

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

2012/13 Restated	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
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	-	-	-	(7)	-	7
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	3,566	(3,566)	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	4,320	-	-	(4,320)
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	1	-	-	-	-	(1)
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 39)	(1,539)	(368)	-	-	-	1,907
Employer's pensions contributions and direct payments to pensioners payable in the year	1,004	197	-	-	-	(1,201)
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	(19)	-	-	-	-	19
Cost of Services	**2,555**	**(609)**	**754**	**(3,331)**	**-**	**631**

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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-13 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31-Mar-14 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31-Mar-15 £'000	See Notes Below
General Fund								
Access Selby	(438)	-	(202)	(640)	141	(103)	(602)	8.1
Building Repairs	(563)	19	(130)	(674)	536	(130)	(268)	8.2
Business Rates Equalisatio	(300)	158	(3,468)	(3,610)	2,714	(361)	(1,257)	8.3
Car Loan Bonds	(5)	-	-	(5)	-	-	(5)	8.4
Carried Fw'd Budgets	(906)	906	(1,029)	(1,029)	1,029	(967)	(967)	8.5
Commutation Surplus	(4)	-	-	(4)	4	-	-	8.6
Contingency	(553)	-	-	(553)	-	(366)	(919)	8.7
Discretionary RR Fund	(300)	-	-	(300)	-	-	(300)	8.8
District Election	(67)	-	(30)	(97)	-	(30)	(127)	8.9
ICT Replacement	(680)	250	(200)	(630)	135	(200)	(695)	8.10
Industrial Units	(58)	1	(3)	(60)	10	-	(50)	8.11
NYCC Collaboration	(250)	-	-	(250)	-	-	(250)	8.12
Pensions Reserve	(400)	-	(200)	(600)	-	(186)	(786)	8.13
PFI Scheme	(2,423)	376	(359)	(2,406)	387	(367)	(2,386)	8.14
Planning Inquiries	(100)	-	-	(100)	-	-	(100)	8.15
Programme for Growth	(2,516)	660	(1,128)	(2,984)	2,769	(886)	(1,101)	8.16
ROS Maintenance	(11)	-	-	(11)	-	(47)	(58)	8.17
Sherburn Amenity Land	(10)	-	-	(10)	-	-	(10)	8.18
Spend to Save	(312)	159	(119)	(272)	7	(95)	(360)	8.19
Tadcaster Central Area	(466)	193	-	(273)	68	-	(205)	8.20
Transport Renewal Fund	-	-	-	-	-	-	-	8.21
Wheeled Bin Hardship	(18)	-	-	(18)	-	-	(18)	8.22
Affordable Housing	-	-	-	-	-	(120)	(120)	8.23
Total	(10,380)	2,722	(6,868)	(14,526)	7,800	(3,858)	(10,584)	
Housing Revenue Account								
Carried Fw'd	(936)	936	(398)	(398)	398	(607)	(607)	8.5
Total	(936)	936	(398)	(398)	398	(607)	(607)	

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 2015/16 for schemes which have been delayed from 2014/15.

8.6. The Commutation 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.

8.23. Developers contributions received towards provision of affordable housing.

9. Other Operating Expenditure

2013/14 £'000		2014/15 £'000
1,519	Payments of Precepts to Parishes	1,562
1,479	Levies payable (Drainage Boards)	1,544
350	Contribution of Housing Capital Receipts to Government Pool	461
(199)	(Gain) / Loss on Disposal of Non-Current Assets	(812)
-	(Gain) / Loss on Disposal of Intangible Assets	-
3,149	**Total**	2,755

10. Financing and Investment Income and Expenditure

2013/14 £'000		2014/15 £'000
2,567	Interest Payable on Debt	2,526
37	Interest Element of Finance Leases	26
1,049	Net interest on the net defined benefit liability	746
-	Income and Expenditure in relation to investment properties and changes in their fair value	20
(255)	Investment Interest Income	(205)
3,398	**Total**	3,113

11. Taxation and Non-Specific Grant Income

2013/14 £'000		2014/15 £'000
(5,864)	Council Tax	(6,129)
(14,436)	Non-domestic Rates	(17,223)
12,758	NDR top-ups/tariffs and safety net income	14,922
(3,229)	Revenue Support Grant	(2,520)
(303)	Small Business Empty Property Rate Relief	(430)
(1,414)	Non Service Related Government Grants	(1,948)
(1,568)	Recognised Capital Grants and Contributions	(413)
(14,056)	**Total**	(13,741)

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.

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	PROPERTY PLANT AND EQUIPME									
2014/2015	Council Dwellings £'000	Other Land and Buildings £'000	Assets under Construction £'000	Surplus Assets £'000	Infra-structure £'000	Community Assets £'000	les & nent 0	Total Valued Assets £'000	Leased Vehicles & Equipment £'000	Total £'000
Tangible Assets										
Cost or Valuation at 31 March 2014	98,658	15,615	2,035	-	280	172	2,129	118,889	2,680	121,569
Adjustment to opening balance	-	(195)	(8)	-	-	-	(60)	(263)	(70)	(333)
Movement in 2014/2015										
Additions	2,963	6,008	3	-	1	7	290	9,272	25	9,297
Transfers	-	1,494	(2,014)	-	-	-	-	(520)	-	(520)
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	1	1,059	-	-	-	-	-	1,060	-	1,060
Revaluation increases/ (decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(1,693)	(766)	-	-	-	-	-	(2,459)	-	(2,459)
Derecognition - disposals	(397)	(55)	-	-	-	-	-	(452)	-	(452)
Value as at 31 March 2015	**99,532**	**23,160**	**16**	**-**	**281**	**179**	**2,359**	**125,527**	**2,635**	**128,162**
Accumulated Depreciation and Impairment										
at 31 March 2014	(1,197)	(996)	(52)	-	(100)	(38)	(1,359)	(3,742)	(1,560)	(5,302)
Adjustment to opening balance	-	195	8	-	-	-	60	263	45	308
Movement in 2014/2015										
Transfers	-	(44)	44	-	-	-	-	-	-	-
Depreciation for the Year	(1,241)	(484)	-	-	(26)	(2)	(234)	(1,987)	(405)	(2,392)
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	1,194	1,265	-	-	-	-	-	2,459	-	2,459
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the (Surplus)/ Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-	-
Derecognition - disposals	3	-	-	-	-	-	-	3	-	3
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	-	-	-
Value as at 31 March 2015	**(1,241)**	**(64)**	**-**	**-**	**(126)**	**(40)**	**(1,533)**	**(3,004)**	**(1,920)**	**(4,924)**
Net Book Value										
at 31 March 2015	98,291	23,096	16	-	155	139	826	122,523	715	123,238
at 31 March 2014	97,461	14,619	1,983	-	180	134	770	115,147	1,120	116,267

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

Movement on Fixed Assets continued .....

2013/14	PROPERTY PLANT AND EQUI[illegible]									
	Council Dwellings £'000	Other Land and Buildings £'000	Assets under Construction £'000	Surplus Assets £'000	Infra-structure £'000	Commun[illegible] Assets £'000	Vehicles Plant & [illegible]quipment £'000	Total Valued Assets £'000	Leased Vehicles & Equipment £'000	Total £'000
Tangible Assets										
Cost or Valuation at 31 March 2013	97,182	20,177	242	303	298	198	5,081	123,481	2,681	126,162
Adjustment to opening balance	-	(4,949)	-	-	(19)	-	(3,133)	(8,101)	(12)	(8,113)
Movement in 2013/2014										
Additions	3,977	534	1,793	-	1	-	237	6,542	11	6,553
Transfers	-	329	-	(303)	-	(26)	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	1	513	-	-	-	-	-	514	-	514
Revaluation increases/ (decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(1,957)	(989)	-	-	-	-	-	(2,946)	-	(2,946)
Derecognition - disposals	(545)	-	-	-	-	-	(56)	(601)	-	(601)
Value as at 31 March 2014	**98,658**	**15,615**	**2,035**	**-**	**280**	**172**	**2,129**	**118,889**	**2,680**	**121,569**
Accumulated Depreciation and Impairment at 31 March 2013	(1,636)	(4,949)	(7)	(195)	(94)	(36)	(4,326)	(11,243)	(1,153)	(12,396)
Adjustment to opening balance	-	4,949	-	-	19	-	3,133	8,101	6	8,107
Movement in 2013/2014										
Transfers	-	(195)	-	195	-	-	-	-	-	-
Depreciation for the Year	(1,204)	(473)	-	-	(25)	(2)	(194)	(1,898)	(413)	(2,311)
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	1,636	-	-	-	-	-	-	1,636	-	1,636
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	(328)	-	-	-	-	-	(328)	-	(328)
Impairment losses/(reversals) recognised in the (Surplus)/ Deficit on the Provision of Services	-	-	(45)	-	-	-	-	(45)	-	(45)
Derecognition - disposals	7	-	-	-	-	-	28	35	-	35
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	-	-	-
Value as at 31 March 2014	**(1,197)**	**(996)**	**(52)**	**-**	**(100)**	**(38)**	**(1,359)**	**(3,742)**	**(1,560)**	**(5,302)**
Net Book Value										
at 31 March 2014	97,461	14,619	1,983	-	180	134	770	115,147	1,120	116,267
at 31 March 2013	95,546	15,228	235	108	204	162	755	112,238	1,528	113,766

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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	10
Operational Buildings	10 - 36
Non-Operational Buildings	20 - 25
Other Assets	
Vehicles, Plant & Equipment	3 - 6

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 2015, 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 £18.635m. The table below analyses this sum into those schemes which were contractually committed at 31 March 2015 and those which are approved to proceed but where contracts have not yet been agreed.

	Expenditure approved and contracted at 31-Mar-15 £'000	Expenditure approved to proceed but not contracted at 31-Mar-15 £'000	Period of Investment
Equipment & IT Software	-	803	1-3 years
Home Improvement & Repair Grants	-	960	1-3 years
Modernisations to HRA land & buildings	4,215	3,436	1-3 years
Asset Mgmt Plan - Leisure Centre & Park	-	19	1-3 years
New Build Projects	-	7,500	1-3 years
Car Park Ticket M/C's / Lifeline Equipment	-	102	1-3 years
Programme for Growth Projects	-	1,600	1-3 years
Total	**4,215**	**14,420**	

15. Revaluations

The following statement shows the progress of the Council's programme for the revaluation of assets. The valuation of Council assets is undertaken by external valuers. Council dwellings valuation is carried out by G Tyerman BSc, MRICS of Mouchel, other land and buildings are valued by James Reynolds BA (Hons), MRICS of Stephensons. The basis of valuation is set out in the statement of accounting policies and the numbers below include the desktop review. 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 2014/15, Council dwellings were revalued in 2011/12.

	Council Dwellings £'000	Other Land and Buildings £'000	Total £'000
Valued at historical cost:	-	-	-
Valued at current value :	98,291	23,671	121,962

16. Investment Properties

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposals. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

2013/14 £'000		2014/15 £'000
-	**Opening Balance**	**-**
	Transfers:	
-	(to)/from Property, Plant and Equipment	520
-	Net gains/(losses) from fair value adjustments	(20)
-	**Closing Balance**	**500**

17. Intangible Assets

2013/14				2014/15		
Software Licenses £'000	Other Intangible £'000	Total £'000		Software Licenses £'000	Other Intangible £'000	Total £'000
			Balance at start of year			
634	145	779	Original Cost	329	111	440
(491)	(134)	(625)	Accumulated amortisation	(262)	(111)	(373)
143	**11**	**154**	**Net carrying amount at start of year**	**67**	**-**	**67**
-	-	-	Expenditure in Year	-	-	-
(305)	(34)	(339)	Disposals in Year	-	-	-
(76)	(11)	(87)	Amortisation for the year	(67)	-	(67)
305	34	339	Amortisation derecognised on disposal	-	-	-
67	**-**	**67**	**Net carrying amount at end of year**	**-**	**-**	**-**
			Comprising:			
329	111	440	Gross carrying amounts	329	111	440
(262)	(111)	(373)	Accumulated amortisation	(329)	(111)	(440)
67	**-**	**67**		**-**	**-**	**-**

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 £0k (£6k 2013/14). However through the allocation of CEC charges for corporate buildings and projects both the HRA and General Fund receive a share of these costs.

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18. 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 46 provide further information.

	Long-Term		Current	
	31-Mar-14 £'000	31-Mar-15 £'000	31-Mar-14 £'000	31-Mar-15 £'000
Investments				
Loans and receivables	4,011	-	8,064	9,038
Available-for-sale financial assets	19	7	-	-
Total investments	**4,030**	**7**	**8,064**	**9,038**
Debtors				
Loans and receivables	260	355	19	17
Financial assets carried at contract amounts	-	-	2,808	1,332
Total included in Debtors	**260**	**355**	**2,827**	**1,349**
Borrowings				
Financial Liabilities at amortised cost	(60,299)	(60,299)	(215)	(215)
Total included in Borrowings	**(60,299)**	**(60,299)**	**(215)**	**(215)**
Other Long-Term Liabilities				
Finance lease liabilities	(737)	(323)	(406)	(414)
Total Other Long-Term Liabilities	**(737)**	**(323)**	**(406)**	**(414)**
Creditors				
Financial liabilities carried at contract amounts	-	-	(2,509)	(1,336)
Total Creditors	**-**	**-**	**(2,509)**	**(1,336)**
Cash and Cash Equivalents				
Financial assets carried at contract amounts	-	-	10,706	15,403
Financial liabilities carried at contract amounts	-	-	-	(376)
Total Cash and Cash Equivalents	**-**	**-**	**10,706**	**15,027**

19. Long Term Debtors

	Long-Term		Current	
	31-Mar-14 £'000	31-Mar-15 £'000	31-Mar-14 £'000	31-Mar-15 £'000
Soft Loans	40	64	7	7
Employee Loans	6	11	10	8
Mortgages - Ex Council Houses	-	-	2	2
Repair Assistance Loans	214	194	-	-
Other Loans	-	86	-	-
Total Long Term Debtors	**260**	**355**	**19**	**17**

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:

2013/14					2014/15			
Financial Liabilities	Financial Assets				Financial Liabilities	Financial Assets		
Liabilities at amortised cost £'000	Loans and receivables £'000	Available-for-sale assets £'000	**Total** £'000		Liabilities at amortised cost £'000	Loans and receivables £'000	Available-for-sale assets £'000	**Total** £'000
2,604	-	-	2,604	Interest Expense	2,551	-	-	2,551
-	-	-	-	Losses on derecognition	-	-	-	-
-	-	-	-	Impairment Losses	-	-	-	-
2,604	**-**	**-**	**2,604**	**Interest Payable & Similar Charges**	**2,551**	**-**	**-**	**2,551**
-	(248)	(1)	(249)	Interest income	-	(213)	(1)	(214)
-	-	-	-	Gains on derecognition	-	-	-	-
-	**(248)**	**(1)**	**(249)**	**Interest & Investment Income**	**-**	**(213)**	**(1)**	**(214)**
-	-	-	-	Gains on Revaluation	-	-	-	-
-	-	2	2	Losses on Revaluation	-	-	-	-
-	-	-	-	Amounts recycled to the I&E Account after impairment	-	-	-	-
-	**-**	**2**	**2**	**Surplus arising on the revaluation of financial assets**	**-**	**-**	**-**	**-**
2,604	**(248)**	**1**	**2,357**	**Net gain/(loss) for the year**	**2,551**	**(213)**	**(1)**	**2,337**

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 £72.8m, the Sector fair value for the same debt is £59.8m. 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 2014 of 1.15% - 3.11% for PWLB borrowing, 1.92% for LGS Stock.

(b) estimated interest rates of between 0.95% and 1.00% 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;

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

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

	31 March 2014 Carrying Amount £'000	31 March 2014 Fair Value £'000	31 March 2015 Carrying Amount £'000	31 March 2015 Fair Value £'000
Financial Liabilities	60,515	56,178	60,515	68,714

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

	31 March 2014 Carrying Amount £'000	31 March 2014 Fair Value £'000	31 March 2015 Carrying Amount £'000	31 March 2015 Fair Value £'000
Financial Liabilities	60,515	68,398	60,515	72,841

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 2014 Carrying Amount £'000	31 March 2014 Fair Value £'000	31 March 2015 Carrying Amount £'000	31 March 2015 Fair Value £'000
Loans and Receivables	(12,354)	(12,413)	(9,410)	(9,354)

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 which are no longer assessed due to their low combined value; and supplies for building maintenance which is used on council dwellings.

	Other 2013/14 £'000	Other 2014/15 £'000	Building Maintenance 2013/14 £'000	Building Maintenance 2014/15 £'000	Total 2013/14 £'000	Total 2014/15 £'000
Opening Balance	**10**	**-**	**8**	**7**	**18**	**7**
Purchases in Year	-	-	272	300	**272**	**300**
Usage in Year	(10)	-	(273)	(299)	**(283)**	**(299)**
Closing Balance	**-**	**-**	**7**	**8**	**7**	**8**

22. Debtors & Prepayments

31-Mar-14 £'000		31-Mar-15 £'000
	Amounts falling due in one year:	
4,967	Central Government Bodies	639
995	Other Local Authorities	40
5,072	Other Entities and Individuals	3,564
11,034		**4,243**
(1,257)	Less Provision for Bad Debts	(1,367)
9,777	**Total**	**2,876**

23. Cash and Cash Equivalents

	Balance at 31-Mar-14 £'000	Balance at 31-Mar-15 £'000	Cash Movement £'000
Cash in hand	1	1	-
Cash at bank / (overdrawn)	1,381	(376)	(1,757)
Cash Equivalents	9,324	15,402	6,078
Total	**10,706**	**15,027**	**4,321**

24. Creditors

31-Mar-14 £'000		31-Mar-15 £'000
(6,129)	Central Government Bodies	(1,231)
(145)	Other Local Authorities	(650)
(3,181)	Other Entities and Individuals	(2,023)
(501)	Section 106 Receipts (see note 24.1)	(597)
(9,956)	**Total**	**(4,501)**

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 shown in the following table.

	Balance at 31-Mar-14 £'000	Income £'000	Expenditure £'000	Balance at 31-Mar-15 £'000
Open Space Schemes	(320)	(113)	38	(395)
Health Care Facilities	(66)	-	-	(66)
Education	(3)	-	-	(3)
Public Transport / Traffic	(82)	(40)	-	(122)
Waste & Recycling	(30)	(9)	28	(11)
Total	**(501)**	**(162)**	**66**	**(597)**

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24.1. Section 106 Receipts continued ……

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

	Property Searches £'000	NNDR Appeals £'000	Total £'000
Balance at 1 April 2013	**-**	**-**	**-**
Additional provisions made in 2013/14	-	(514)	(514)
Amounts used in 2013/14	-	-	-
Unused amounts reversed in 2013/14	-	-	-
Balance at 31 March 2014	**-**	**(514)**	**(514)**
Additional provisions made in 2014/15	(52)	-	(52)
Amounts used in 2014/15	-	88	88
Unused amounts reversed in 2014/15	-	4	4
Balance at 31 March 2015	**(52)**	**(422)**	**(474)**

The provision for property searches relates to the settlement of refund of fees claims relating to access to land charges data. The provision has been recognised at the best estimate of the claims, interest and costs that will be payable.

The NNDR Appeals provision is a result of the new Business Rates Retention Scheme. The Council is now liable for its proportionate share of the cost of refunds for successful appeals against business rates for 2013/14 onwards and all earlier financial years. The provision has been recognised at the best estimate of the amount that may be refunded should the appeals be successful. The estimate has been calculated using the Valuation Office ratings list of appeals and an analysis of successful appeals to date, with an assumption that as the rating list is almost five years old most appeals will have been submitted and will be settled shortly.

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 on the next page.

26. Usable Reserves continued ……

2012/13 Restated £'000	2013/14 Restated £'000		2014/15 £'000	Note
		Usable Reserves		
(1,545)	(1,674)	General Fund	(1,674)	26.1
(11,316)	(14,924)	Earmarked Reserves	(11,191)	26.2
(1,187)	(1,187)	Housing Revenue Account - Core	(1,187)	26.3
(504)	(912)	Housing Revenue Account - Access Selby	(1,069)	26.3
(117)	(91)	Major Repairs Reserve	(1,092)	26.4
(3,836)	(4,109)	Capital Receipts Reserve	(2,003)	26.5
(228)	(228)	Capital Grants Unapplied	(228)	26.6
(18,733)	**(23,125)**	**Total**	**(18,444)**	

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.

26.5. 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 after the table.

2012/13 Restated £'000	2013/14 Restated £'000		2014/15 £'000	Note
		Unusable Reserves		
		Revaluation Balances		
(1,986)	(2,098)	Revaluation Reserve	(2,906)	27.1
2	4	Available-for-Sale Financial Instruments Reserve	4	27.2
		Adjustment Accounts		
(50,745)	(54,810)	Capital Adjustment Account	(63,029)	27.3
17	11	Financial Instruments Adjustment Account	16	27.4
(7)	(2)	Deferred Capital Receipts Reserve	-	27.5
25,595	17,957	Pensions Reserve	22,869	27.6
(134)	2,950	Collection Fund Adjustment Account	(328)	27.7
(27,258)	**(35,988)**	**Total**	**(43,374)**	

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.

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.

2013/14 £'000		2014/15 £'000
(1,986)	**Balance brought forward at 1 April**	**(2,098)**
(514)	Upwards revaluation of assets	(1,250)
328	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services	190
(186)	Surplus/(Deficit) on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services	**(1,060)**
74	Difference between fair value depreciation and historical cost depreciation	251
-	Accumulated gains on assets sold or scrapped	1
74	Amount written off to the Capital Adjustment Account	**252**
(2,098)	**Balance carried forward at 31 March**	**(2,906)**

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27. Unusable Reserves continued ……

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.

2013/14 £'000		2014/15 £'000
2	**Balance brought forward at 1 April**	4
2	Upward revaluation of investments	-
-	Downward revaluation of investments not charged to the surplus/deficit on the Provision of Services	-
2	**Total movement on the reserve in Year**	-
4	**Balance carried forward at 31 March**	4

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.

2012/13 Restated £'000	2013/14 Restated £'000		2014/15 £'000
(50,571)	**(50,745)**	**Balance brought forward at 1 April**	**(54,810)**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
6,666	3,666	Charges for depreciation and impairment of non-current assets	2,367
58	87	Amortisation of intangible assets	67
70	130	Revenue expenditure funded from capital under statute	2
334	563	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	473
7,128	4,446		2,909
(74)	(74)	Adjusting amounts written out of the Revaluation Reserve	(252)
7,054	**4,372**	**Net written out amount of the cost of non-current assets consumed in the year**	**2,657**

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27. Unusable Reserves continued ……

27.3. Capital Adjustment Account continued ……

2012/13 Restated £'000	2013/14 Restated £'000		2014/15 £'000
7,054	**4,372**	**Net written out amount of the cost of non-current assets consumed in the year**	**2,657**
		Capital financing applied in the year:	
(843)	(148)	Use of the Capital Receipts Reserve to finance new capital expenditure	(2,913)
(4,320)	(3,977)	Use of the Major Repairs Reserve to finance new capital	(2,963)
(35)	(1,568)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(413)
-	(4)	Application of grants to capital financing from the Capital Grants Unapplied Account	-
(1,175)	(1,175)	HRA voluntary set aside for debt repayment	(930)
(197)	(193)	Minimum Revenue Provision - Borrowing	(190)
(400)	(405)	Minimum Revenue Provision - Leases	(406)
(258)	(987)	Capital expenditure financed from revenue	(3,115)
(7,228)	**(8,457)**	**Total**	**(10,930)**
-	**20**	Loan Adjustments	**34**
-	**-**	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	**20**
(50,745)	**(54,810)**	**Balance carried forward at 31 March**	**(63,029)**

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. The transfer in 2013/14 was the final transaction.

2013/14 £'000		2014/15 £'000
17	**Balance brought forward at 1 April**	**11**
(1)	Overhanging Loan Premiums	-
(5)	Soft Loan adjustment	5
(6)	**Total movement on the account in Year**	**5**
11	**Balance carried forward at 31 March**	**16**

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27. Unusable Reserves continued ……

27.4. Financial Instruments Adjustment Account continued ……

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 19 and 20.

2013/14 £'000		2014/15 £'000
(7)	**Balance brought forward at 1 April**	**(2)**
5	Principal Repayments in year transferred to the Capital Receipts Reserve	2
(2)	**Balance carried forward at 31 March**	**-**

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.

2013/14 £'000		2014/15 £'000
25,595	**Balance brought forward at 1 April**	**17,957**
(8,408)	Remeasurement of the net defined benefit liability	4,529
1,997	Reversal of items relating to retirement benefits debited or credited to the (Surplus)/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	1,682
(1,227)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,299)
17,957	**Balance carried forward at 31 March**	**22,869**

27.7. Collection Fund Adjustment Account

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

2013/14 £'000		2014/15 £'000
(134)	**Balance brought forward at 1 April**	**2,950**
3,084	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(3,278)
2,950	**Balance carried forward at 31 March**	**(328)**

28. Cash Flow Statement - Operating Activities

The analysis for the adjustments to the net (surplus)/deficit on the provision of services for non-cash movements is shown below.

2013/14 £'000		2014/15 £'000
(3,753)	Depreciation, amortisation, impairment and revaluations	(2,479)
(12)	Movement in creditors	(167)
(1,591)	Movement in debtors	(1,345)
(544)	Movement in provision for bad debts	(110)
(11)	Movement in inventories	1
(514)	Movement in provisions	40
770	Movement in pensions liability	383
(566)	Carrying amount of non-current assets sold	(449)
(1,184)	Other non-cash items charged to the provision of services	(1,242)
(7,405)		**(5,368)**

The analysis for the adjustments to the net (surplus)/deficit on the provision of services that are investing and financing activities are shown in the following table.

2013/14 £'000		2014/15 £'000
777	Proceeds from the sale of property, plant and equipments, investment property and intangible assets	1,265
1,567	Capital grants credited to the (surplus)/deficit on the provision of services	568
1,912	Any other items for which the cash effects are investing or financing cash flows	-
4,256		**1,833**

28. Cash Flow Statement - Operating Activities continued ……

The cash flow for operating activities include the following items:

2013/14 £'000		2014/15 £'000
(255)	Interest received	(205)
2,567	Interest paid	2,526
2,312		**2,321**

29. Cash Flow Statement - Investing Activities

2013/14 £'000		2014/15 £'000
5,427	Purchase of property, plant and equipment, investment property and intangible assets	10,550
3,000	Purchase of short-term and long-term investments	5,000
-	Other payments for investing activities	288
(777)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,267)
(6,061)	Proceeds from short-term and long-term investments	(8,000)
(3,206)	Other receipts from investing activities	(608)
(1,617)	**Net cash flow from investing activities**	**5,963**

30. Cash Flow Statement - Financing Activities

2013/14 £'000		2014/15 £'000
-	Cash receipts of short and long-term borrowing	-
-	Other receipts from financing activities	-
405	Cash payments for the reduction of the outstanding liabilities relating to finance leases	406
-	Repayment of short and long-term borrowing	-
(430)	Other payments for financing activities	(981)
(25)	**Net cash flow from financing activities**	**(575)**

31. 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.

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31. Amounts Reported for Resource Allocation Decisions continued ……

2014/15	Core £'000	Access Selby £'000	Community Selby £'000	TOTALS £'000
Income				
Contract Income from the Core		(10,904)	(211)	(11,115)
Fees, charges and other service income	(12,767)	(4,447)	(65)	(17,279)
Government grants and contributions	-	(17,093)	-	(17,093)
Total Income	(12,767)	(32,444)	(276)	(45,487)
Expenditure				
Employees	1,334	5,802	35	7,171
Premises	2	1,434	1	1,437
Transport	16	257	2	275
Supplies & Services	487	7,444	224	8,155
Third Party Payments	3,106	717	-	3,823
Benefit Payments	-	16,529	-	16,529
Support Services	233	-	-	233
Contract Payment to Access Selby & TSO	10,798	-	-	10,798
Gross Expenditure	15,976	32,183	262	48,421
Net Services Expenditure	3,209	(261)	(14)	2,934
Investment Income	(211)	-	-	(211)
Interest Payments	2,801	-	-	2,801
Reversal of Accounting for Pension adjustments	(98)	-	-	(98)
Capital Accounting adjustments	3,349	-	-	3,349
Contributions to / (from) Reserves	(160)	40	-	(120)
Net Expenditure	8,890	(221)	(14)	8,655

BACK TO AGENDA

31. Amounts Reported for Resource Allocation Decisions continued ……

There is a movement in net services expenditure of -£1.280m between 2013/14 and 2014/15. This is mainly due to reduced impairment/revaluation adjustments.

2013/14	Core £'000	Access Selby £'000	Community Selby £'000	TOTALS £'000
Income				
Contract Income from the Core	-	(10,361)	(199)	(10,560)
Fees, charges and other service income	(11,803)	(4,297)	(43)	(16,143)
Government grants and contributions	-	(17,446)	(10)	(17,456)
Total Income	(11,803)	(32,104)	(252)	(44,159)
Expenditure				
Employees	1,579	5,454	25	7,058
Premises	(3)	1,180	-	1,177
Transport	15	256	2	273
Supplies & Services	273	7,254	217	7,744
Third Party Payments	1,479	360	-	1,839
Benefit Payments	-	16,669	-	16,669
Support Services	-	377	-	377
Contract Payment to Access Selby & TSO	10,305	-	-	10,305
Gross Expenditure	13,648	31,550	244	45,442
Net Services Expenditure	1,845	(554)	(8)	1,283
Investment Income	(248)	-	-	(248)
Interest Payments	2,568	-	-	2,568
Reversal of Accounting for Pension adjustments	-	-	-	-
Capital Accounting adjustments	189	-	-	189
Contributions to / (from) Reserves	9,604	-	-	9,604
Net Expenditure	13,958	(554)	(8)	13,396

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.

2013/14 £'000		2014/15 £'000
13,396	Net expenditure in the Analysis	8,655
492	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	(15)
(10,909)	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(6,941)
2,979	**Cost of Services in Comprehensive Income and Expenditure Statement**	**1,699**

BACK TO AGENDA

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

31. 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

2014/15	Core, Access & Community £'000	Amounts Not Reported to Managem't £'000	Amounts Not Included in CIES £'000	Net Cost of Service £'000	Corporate Amounts £'000	Net Position £'000
Income						
Fees, charges and other service income	(17,596)	-	-	(17,596)	-	(17,596)
Government grants and contributions	(17,093)	-	-	(17,093)	(5,321)	(22,414)
Interest Receipts	(211)	-	211	-	(205)	(205)
Income from Council Tax and Business Rates	-	-	-	-	(8,420)	(8,420)
Gain on disposal of Non-current assets/Other Capital Receipts	-	-	-	-	(812)	(812)
Total Income	(34,900)	-	211	(34,689)	(14,758)	(49,447)
Expenditure						
Employee Expenses	7,073	-	98	7,171	-	7,171
Premises	1,437	-	-	1,437	-	1,437
Transport	275	-	-	275	-	275
Supplies & Services	8,155	-	-	8,155	-	8,155
Third Party Payments	17,246	-	-	17,246	-	17,246
Support Service Recharges	233	-	-	233	-	233
Depreciation, amortisation and Impairment	3,349	(15)	929	4,263	20	4,283
Interest Payments	2,801	-	(3,297)	(496)	3,298	2,802
Precepts & Levies	3,106	-	(3,106)	-	3,106	3,106
Payments to the Housing Capital Receipts Pool	-	-	-	-	461	461
Contributions to/from Reserves	(120)	-	(1,776)	(1,896)	-	(1,896)
Gross Expenditure	43,555	(15)	(7,152)	36,388	6,885	43,273
(Surplus)/Deficit on the Provision of Services	8,655	(15)	(6,941)	1,699	(7,873)	(6,174)

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31. Amounts Reported for Resource Allocation Decisions continued .....

Reconciliation to Subjective Analysis continued .....

2013/14	Core, Access & Community £'000	Amounts Not Reported to Managem't £'000	Amounts Not Included in CIES £'000	Net Cost of Service £'000	Corporate Amounts £'000	Net Position £'000
Income						
Fees, charges and other service income	(16,398)	(200)	344	(16,254)	-	(16,254)
Government grants and contributions	(17,456)	-	(114)	(17,570)	(6,514)	(24,084)
Interest Receipts	(248)	-	248	-	(255)	(255)
Income from Council Tax and Business Rates	-	-	-	-	(7,542)	(7,542)
Gain on disposal of Non-current assets/Other Capital Receipts	-	-	-	-	(199)	(199)
Total Income	(34,102)	(200)	478	(33,824)	(14,510)	(48,334)
Expenditure						
Employee Expenses	7,058	-	(6,291)	767	-	767
Premises	1,177	-	(159)	1,018	-	1,018
Transport	273	-	(113)	160	-	160
Supplies & Services	7,744	152	(1,149)	6,747	-	6,747
Third Party Payments	18,508	-	(1,482)	17,026	-	17,026
Support Service Recharges	377	-	7,230	7,607	-	7,607
Depreciation, amortisation and Impairment	189	540	2,749	3,478	-	3,478
Interest Payments	2,568	-	(2,568)	-	3,653	3,653
Precepts & Levies	-	-	-	-	2,998	2,998
Payments to the Housing Capital Receipts Pool	-	-	-	-	350	350
Contributions to Reserves	9,604	-	(9,604)	-	-	-
Gross Expenditure	47,498	692	(11,387)	36,803	7,001	43,804
(Surplus)/Deficit on the Provision of Services	13,396	492	(10,909)	2,979	(7,509)	(4,530)

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.

2014/15 Post Title	Salary (including fees & allowances) £'000	Benefits in Kind (car allowance) £'000	Total Remuneration excluding pension contributions 2013/14 £'000	Employers pension contributions £'000	Total Remuneration including pension contributions 2014/15 £'000
Chief Executive	93	1	94	12	106
Deputy Chief Executive	77	1	78	10	88
Executive Director S151	56	1	57	7	64
Director (MD)	56	1	57	7	64
Director	51	1	52	6	58
Director	51	1	52	6	58
Executive Director	51	1	52	6	58
	435	7	442	54	496

The Chief Executive provides services for both Selby District Council and North Yorkshire County Council. She is formally employed by Selby District Council and NYCC is recharged 40% of her salary and other remuneration.

2013/14 Post Title	Salary (including fees & allowances) £'000	Benefits in Kind (car allowance) £'000	Total Remuneration excluding pension contributions 2012/13 £'000	Employers pension contributions £'000	Total Remuneration including pension contributions 2013/14 £'000
Chief Executive to 13 October 2013	45	1	46	5	51
Chief Executive from 28 October 2013	39	1	40	5	45
Deputy Chief Executive	75	1	76	9	85
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
	424	8	432	49	481

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

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32. Officers' Remuneration continued ……

The Council terminated the contract of 1 employee in 2014/15 (1 in 2013/14), incurring liabilities of £3k (£18k in 2013/14). 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	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14 £'000	2014/15 £'000
0	-	20,000	1	1	-	-	1	1	18	3
20,001	-	40,000	-	-	-	-	-	-	-	-
40,001	-	60,000	-	-	-	-	-	-	-	-
60,001	-	80,000	-	-	-	-	-	-	-	-
80,001	-	100,000	-	-	-	-	-	-	-	-
	Total		1	1	-	-	1	1	18	3

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33. 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.

34. Agency Services

The Council acts as agent for central government, North Yorkshire County Council and North Yorkshire Fire and Rescure Authority in the collection of non-domestic rates, and as agent for North Yorkshire County Council, North Yorkshire Police Authority and North Yorkshire Fire and Rescue Authority in the collection of council tax. Further details are given in the notes to the Collection Fund.

35. Members Allowances

The cost of Members Allowance payments is included within the Corporate and Democratic Core costs and in 2014/15 amounted to £233k (£255k in 2013/14). The 2014/15 figures include the £1k allowances paid to the chair (£1k in 2013/14) and £1k paid to the vice chair (£1k in 2013/14). The 2014/15 figure also includes a payment of £2k paid to the previous chairman in respect of the balance of his annual allowance. The payments can be allocated as follows:

2013/14 £'000		2014/15 £'000
227	Allowances	226
28	Expenses	7
255	**Total**	**233**

36. External Audit Costs

The Council's external auditors are Mazars. The Council incurred the following fees relating to the audit of the Statement of Accounts, certification of grant claims and statutory inspections:

2013/14 Restated £'000		2014/15 £'000
59	Fees due to the External Auditors with regard to external audit services carried out by the appointed auditor.	59
20	Fees payable to the External Auditors for the certification of grant claims and returns.	14
-	Non-audit work for the Housing Trust	-
79	**Total**	**73**

In addition to the above fees the Council received a rebate from the Audit Commission of £6k (£8k in 2013/14) against prior years audit fees.

37. Grant Income

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

2013/14 £'000		2014/15 £'000
	Credited to Taxation and Non-specific Grant Income	
(3,229)	Revenue Support Grant	(2,520)
(303)	Small Business Empty Property Rate Relief	(430)
(9)	Renewable Energy	(10)
	Non-Service Related Government Grants	
(1,201)	New Homes Bonus	(1,733)
(48)	Council Tax Reduction Grant	-
(156)	New Burdens Grants	(205)
	Capital Grants and Contributions	
-	Grant receipt for Hardware for Register of Electors	(9)
(1,568)	Grant Receipt for new Sports Centre	(404)
(6,514)	**Total**	**(5,311)**
	Credited to Services	
	Other Government Grants:-	
(9,999)	Rent Allowances	(9,972)
2	Council Tax Benefits	-
(6,457)	Rent Rebates	(6,599)
(150)	Private Sector/Disabled Facilities Home Improvement Works (General Fund)	(155)
(400)	Housing Benefits Admin & Counter Fraud Grant	(289)
(278)	Private Finance Initiative	(278)
(33)	Other Small Grants	(94)
(17,315)	**Total**	**(17,387)**

The Council has previously received a number of grants, contributions and donations that were not recognised as income as they had conditions attached to them at the balance sheet date that required 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 received from the Government 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. There are no revenue receipts in advance with conditions attached, and all capital grants have been fully utilised. The balances at the year-end are as follows:

	Long-Term		Current	
	31-Mar-14 £'000	31-Mar-15 £'000	31-Mar-14 £'000	31-Mar-15 £'000
Grants Receipts in Advance (Revenue Grants)				
Individual Electoration Registration	-	-	-	(16)
Transformation Challenge Award	-	-	-	(137)
Total	**-**	**-**	**-**	**(153)**

38. 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.

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 36, 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 2014/15 is shown in Note 35.

Some Members are directors and/or trustees of various entities in their own private capacity. During 2014/15 the following material transactions took place with organisations in which Members have an interest. In all instances contracts and grants were made with proper consideration of declarations of interest.

No. of Members With an Interest	2013/14 Transactions £'000	2013/14 Balance Owed £'000		No. of Members With an Interest	2014/15 Transactions £'000	2014/15 Balance Owed £'000
2	122	-	Selby AVS	2	114	-
1	38	-	Selby District CAB	2	38	-
			Groundwork North Yorkshire	2	82	-
3	**160**	**-**	**Total**	**6**	**234**	**-**

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

Officers

In 2014/15 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 £304k, of which £47k was procured from Jewsons. No car loans were advanced during the year to officers to enable them to carry out their official duties, £8k was repaid leaving a balance of £8k.

However, it should be noted that the Executive Director (S151) is a volunteer Managing Director of Selby and District Housing Trust providing strategic support but not financial advice, and is a director of Veritau North Yorkshire Ltd. Also the Democratic Services Manager is Company Secretary to the Selby and District Housing Trust.

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38. 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.

The internal audit, counter-fraud and information governance services is being provided by Veritau North Yorkshire Limited. The Council has a share-holding of £2.5k 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 and Scarborough Borough Council (the host authority) to provide Building Control services on behalf of the three 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 £150k. The Partnership produce their own set of accounts and these can be requested from Ryedale District Council.

During 2014/15 Selby District Council has paid a management fee of £58k (£70k in 2013/14) 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 2015 as £78k of which £16k belongs to Selby (31 March 2014 reserve of £82k with Selby's share being £16k).

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.

2013/14 Transactions £'000	2013/14 Balance Owed £'000		2014/15 Transactions £'000	2014/15 Balance Owed £'000
1,519	-	Parish Precepts	1,562	-
1,479	-	Internal Drainage Board Levies	1,544	-
1,225	-	North Yorkshire Pension Fund (Employer Contributions)	1,290	-
138	21	North Yorkshire waste disposal services	136	12
88	-	Veritau North Yorkshire Limited	89	-
4,449	**21**	**Total Payments**	**4,621**	**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 41.

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 2014/15 was £219k (2013/14 was £207k).

39. 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.

2013/14 £'000		2014/15 £'000	2014/15 £'000
61,564	**Opening Capital Financing Requirement**		**59,793**
	Capital investment		
4,749	Property Plant & Equipment - Council Owned	3,753	
11	Property Plant & Equipment - Leased	25	
1,793	Assets Under Construction	5,519	
-	Intangible assets	-	
278	Revenue Expenditure Funded from Capital Under Statute (REFCUS) - Grants	157	
30	Revenue Expenditure Funded from Capital Under Statute (REFCUS) - Loans	131	
6,861	**Total Capital Investment**		**9,585**
	Sources of finance		
(148)	Capital receipts	(2,913)	
(3,150)	Government grants and other contributions	(1,969)	
(3,552)	Sums Set Aside from Revenue (Assets/Soft Loans/REFCUS)	(4,678)	
(1,369)	MRP / Loans Fund Principal	(1,120)	
(405)	MRP - Lease Principal	(406)	
(8)	Reduction in lease liability re Leisure & Street Scene Vehicles	(26)	(11,112)
59,793	**Closing Capital Financing Requirement**		**58,266**
	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 financial assistance)	-	
11	Assets acquired under finance leases	25	
(1,369)	MRP / Loans Fund Principal	(1,120)	
(405)	MRP - Lease Principal	(406)	
(8)	Reduction in lease liability re Leisure & Street Scene Vehicles	(26)	(1,527)
(1,771)	**Increase / (decrease) in Capital Financing Requirement**		**(1,527)**

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39. 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 2014/15 the Council funded £0.288m (£0.308m 2013/14) of capital expenditure through this method, which related to the Disabled Facilities Grants, Home Improvement Grants and Loans.

40. Leases

Authority as a Lessee

Finance Leases

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

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

31-Mar-14 £'000		31-Mar-15 £'000
934	Vehicles, Plant, Furniture & Equipment (Vehicles)	585
186	Vehicles, Plant, Furniture & Equipment (Equipment)	130
1,120		**715**

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-14 £'000		31-Mar-15 £'000
	Finance lease liabilities (net present value of minimum lease payments):	
406	Current	414
737	Non-current	323
51	Finance costs payable in future years	25
1,194		**762**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31-Mar-14 £'000	31-Mar-15 £'000	31-Mar-14 £'000	31-Mar-15 £'000
Not Later Than One Year	432	432	406	414
Later than One Year and not later than five years	762	330	737	323
Later than Five years	-	-	-	-
	1,194	**762**	**1,143**	**737**

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40. Leases continued ......

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 2014/15 was £102k (2013/14 £105k).

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

31-Mar-14 £'000		31-Mar-15 £'000
48	Not later than one year	81
-	Later than one year and not later than five years	294
-	Later than five years	-
48		**375**

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

31-Mar-14 £'000		31-Mar-15 £'000
102	Minimum lease payments	79
-	Contingent rents	-
-	Sub lease payments (receivable)	-
102		**79**

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

31-Mar-14 £'000		31-Mar-15 £'000
23	Central Services to the Public	20
2	Environmental and Regulatory Services	2
77	Local Authority Housing (HRA)	57
102		**79**

Authority as a Lessor

Finance Leases

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

40. Leases continued ……

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 £109k (£91k in 2013/14).

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

31-Mar-14 £'000		31-Mar-15 £'000
39	Not later than one year	41
73	Later than one year and not later than five years	68
-	Later than five years	-
112		**109**

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.

41. Assets Recognised Under PFI Arrangements

The Council is party to a Private Finance Initiative (PFI) scheme with South Yorkshire Housing to build social housing. The Council does not recognise any assets in its balance sheet under PFI arrangements because they are the property of South Yorkshire Housing Association (SYHA) and will remain in their ownership on expiry of the contract. However in 2014/15 the authority was committed to making payments of £387k (£376k in 2013/14). The contract expires in 2035.

42. Impairment Losses

During 2014/15 the Council has not recognised any impairment losses (£0.373m in 2013/14). Any such losses would be shown by class of asset in notes 12 and 15. Of the 2013/14 total £0.328m was offset against previous revaluation gains in the revaluation reserve and the balance of £0.045m was charged to the appropriate service in the Comprehensive Income & Expenditure Statement. The major impairments were to industiral units and the reclasssification of the former Civic Centre land to a car park.

43. 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.

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43. Retirement Benefits continued ……

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.

The North Yorkshire Pension Scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pension Fund Committee of North Yorkshire County Council. Policy is determined in accordance with the Pension Fund Regulations. The investment fund managers of the fund are appointed by the Pension Fund Committee in consultation with the Corporate Director - Strategic Resources and the funds investment consultant and independent advisor.

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

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 and the HRA 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:

2013/14 £'000	North Yorkshire Pension Fund	2014/15 £'000
	Comprehensive Income and Expenditure Statement	
	Net Cost of Services:	
930	current service cost	917
-	past service costs (gains)	-
-	settlement and curtailments	-
18	administration expenses	19
	Financing and Investment Income and Expenditure:	
1,049	net interest expense	746
1,997	***Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services***	**1,682**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
(3,579)	return on plan assets	(3,991)
(1,274)	experience (gain) / loss	-
(133)	actuarial (gains) / losses arising on changes in demographic assumptions	-
(3,422)	actuarial (gains) / losses arising on changes in financial assumptions	8,520
(8,408)	***Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement***	**4,529**
	Movement in Reserves Statement	
(1,997)	reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(1,682)
	Actual Amount charged against the General Fund Balance for pensions in the year:	
1,227	employers' contributions payable to the scheme	1,299

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43. Retirement Benefits continued ……

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2013/14 £'000		2014/15 £'000
53,310	Present value of the defined benefit obligation	63,222
(35,353)	Fair value of plan assets	(40,353)
17,957	**Net liability arising from defined benefit obligation**	**22,869**

Reconciliation of the Movements in the Fair Value of Scheme Assets

2013/14 £'000		2014/15 £'000
30,827	**Opening Fair Value of Scheme Assets**	**35,353**
1,288	Interest income	1,559
	Remeasurement gain/(loss)	
3,579	- the return on plan assets, excluding the amount included in the net interest expense	3,991
1,227	Contributions from employer	1,299
284	Contributions from employees into the scheme	314
(1,834)	Benefits Paid	(2,144)
(18)	Other	(19)
35,353	**Closing Fair Value of Scheme Assets**	**40,353**

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2013/14 £'000		2014/15 £'000
(56,422)	**Opening Balance at 1 April**	**(53,310)**
(930)	Current Service Cost	(917)
(2,337)	Interest Cost	(2,305)
(284)	Contributions from Scheme Participants	(314)
	Remeasurement gain / (loss)	
1,274	- Experience Gains / (Losses)	-
133	- Actuarial Gains / (Losses) arising from changes in demographic assumptions	-
3,422	- Actuarial Gains / (Losses) arising from changes in financial assumptions	(8,520)
-	Past Service Costs	-
-	Curtailments	-
1,834	Benefits Paid	2,144
(53,310)	**Closing Balance at 31 March**	**(63,222)**

43. Retirement Benefits continued ……

Local Government Pension Scheme Assets

The fair value of scheme assets are as follows:

2013/14 £'000		2014/15 £'000
177	Cash and Cash Equivalents	484
	Equity Instruments:	
16,934	- UK Quoted	17,231
5,833	- Global Quoted	5,851
919	- Emerging Markets	1,130
23,686	Sub-total Equity Instruments	24,212
	Bonds	
2,651	- Corporate	2,743
4,384	- Government	6,821
7,035	Sub-total Bonds	9,564
	Property	
1,662	- UK (Unitised)	2,623
1,662	Sub-total Property	2,623
	Alternatives	
2,793	- DGF (UK Unitised)	3,470
2,793	Sub-total Other Investment Funds	3,470
35,353	**Total Assets**	**40,353**

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 2013.

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43. Retirement Benefits continued ……

The main assumptions used in their calculations have been:

At 31-Mar-14		At 31-Mar-15
	Long-term expected rate of return on assets in the scheme	
7.00%	Equity Investments	6.50%
3.40%	Government Bonds	2.20%
4.30%	Other Bonds	2.90%
6.20%	Property	5.90%
0.50%	Cash / Liquidity	0.50%
Dependent on type	Other	Dependent on type
	Longevity at 65 for current pensioners (in years):	
23.0	Men	23.1
25.5	Women	25.6
	Longevity at 65 for future pensioners (in years):	
25.3	Men	25.4
27.8	Women	28.0
2.40%	Rate of CPI inflation	2.00%
3.90%	Rate of increase in salaries	3.50%
2.40%	Rate of increase in pensions	2.00%
4.40%	Rate for discounting scheme liabilities	3.20%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

The impact of changes on the defined benefit obligation in the scheme are set out in the table below.

	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (increase in 1 year)	1,237	
Rate of inflation (increase by 0.1%)	1,130	
Rate of increase in salaries (increase by 0.1%)	200	
Rate of increase in pensions (increase by 0.1%)	1,130	
Rate for discounting scheme liabilities (increase or decrease by 0.1%)		1,110

Asset and Liability Matching (ALM) Strategy

The Pension Fund Committee of North Yorkshire County Council has determined the investment strategy which is aimed at growing the Fund's assets to meet benefit obligations when they fall due. As required by the regulations, the suitability of various classes of investments has been considered including assessing the benefit of asset class diversification. The Fund is primarily invested in equities (60% of scheme assets) and fixed income (24%) with investments also in property and alternatives, the proportions being not materially dissimilar to the comparative year. This strategy is reviewed periodically, dependent on changes to market conditions and the solvency position of the Fund.

43. Retirement Benefits continued ……

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 27 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipates to pay £1.325m expected contributions to the scheme in 2015/16.

The weighted average duration of the defined benefit obligation for scheme members is 20 years.

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.

44. Contingent Liabilities

1. 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 £110k 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.

2. The Council is the Respondent to an appeal by Sam Smith’s Old Brewery Tadcaster in the Court of Appeal against the dismissal of their statutory challenge lodged in December 2013 seeking to quash the Core Strategy adopted in October 2013. The case is listed for hearing in October 2015. If the Brewery are successful in their challenge it is likely that the Council will be ordered to pay the costs of the Brewery both in the Court of appeal and in the Court below overturning the previous costs order in favour of the Council. The potential liability is estimated at £200k.

3. The Council is involved in a number of challenges to planning decisions most of which are before the Planning Inspectorate but one of which is a High Court challenge to the decision of the Secretary of State on a recovered appeal. There is a risk of a costs award against the Council in these cases but at the time of finalising the accounts it is not possible to estimate any potential liability.

45. Contingent Assets

No contingent assets have been identified.

46. 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.

46. Nature and Extent of Risks Arising From Financial Instruments continued ……

Financial Instruments are formerly defined as contracts that give rise to a financial assets of one entity and a financial liability or equity instrument of another entity. For the Council, this definition covers the instruments used in Treasury Management activity, including the borrowing and lending of money and the making of investments

The Council's Treasury Management is provided under a Service Level Agreement by North Yorkshire County Council (NYCC) under the CIPFA Code of Practice on Treasury Management. The code sets out a framework of operating procedures to reduce treasury risk and improve understanding and accountability regarding the Treasury position of the Council.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are managed through an SLA with North Yorkshire County Council.

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 2015 in relation to its investments in banks and building societies of £8.686m 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 2015 that this was likely to crystallise.

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 ten financial years, adjusted to reflect current market conditions.

Estimated maximum exposure default and uncollect-ability 31 Mar 2014 £'000 (A x C)		Amount at 31 Mar 2015 £'000 (A)	Historical experience of default % (B)	Historical experience adjusted for market at 31 Mar 2015 % (C)	Estimated maximum exposure to default and uncollect-ability 31 Mar 2015 £'000 (A x C)
0	Deposits with banks and financial institutions	9,038	0	0	0
69	Customers	1,332	1.67	25.15	335
69					335

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.

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46. Nature and Extent of Risks Arising From Financial Instruments continued ……

The Council does not generally allow credit for customers. The past due amount can be analysed by age as shown in the following table:

At 31-Mar-14 £'000		At 31-Mar-15 £'000
2,073	Less than 30 days	495
11	30 - 60 days	36
273	60 - 90 days	279
20	90 - 120 days	22
431	over 120 days	500
2,808		1,332

Liquidity Risk

Through the SLA with North Yorkshire County Council, the Council has access to investments as well as ready access to borrowings from the money markets to cover day to day cash flow need, whilst the PWLB and money markets provide access to longer term funds. There is no significant risk that is will be unable to meet its commitments under financial instruments.

The maturity analysis of financial liabilities is as follows:

At 31-Mar-14 £'000		At 31-Mar-15 £'000
-	Less than one year	-
-	Between one and two years	-
-	Between two and five years	1,000
60,333	More than five years	59,333
60,333		60,333

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.

46. Nature and Extent of Risks Arising From Financial Instruments continued ……

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.

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

At 31-Mar-14 £'000		At 31-Mar-15 £'000
-	Increase in interest payable on variable rate borrowings	-
237	Increase in interest receivable on variable rate investments	294
-	Increase in government grant receivable for financing costs	-
237	Impact on Surplus of Deficit on the Provision of Services	294
42	Share of overall impact debited to the HRA	64
89	Decrease in fair value of fixed rate investment assets	31
89	Impact on Other Comprehensive Income & Expenditure	31
8,051	Decrease in fair value of fixed rate borrowings liabilities (no impact on Consolidated Income and Expenditure Statement)	10,972

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 or purchase Gilts.

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.

47. 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.

2013/14 £'000		2014/15 £'000
(5,780)	Council Tax precept for year (District & Parish)	(5,999)
(60)	(Surplus)/Deficit payable/repayable in year	(74)
(5,840)	Total Council Tax payable to Council in year	(6,073)
(24)	Movement in Collection Fund Adjustment Account in year	(56)
(5,864)	Council Tax due to Council	**(6,129)**

48. Non-domestic Rates

The non-domestic rates 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 non-domestic rates actually paid to the Council on a cash basis in the year adjusted for the accrual.

2013/14 £'000		2014/15 £'000
(17,553)	Non-domestic rates due for year	(16,761)
3,117	(Surplus)/Deficit payable/repayable in year	(462)
(14,436)	Non-domestic rates due to Council	**(17,223)**

49. Capital Expenditure Financed from Revenue

The capital programme can be financed from a variety of sources, one of which is revenue. In 2014/15 £4,678k of capital expenditure was funded from revenue (£3,552k in 2013/14), £1,562k of which was from the Housing Revenue Account (£2,549k in 2013/14), £40k (£16k in 2013/14) from the General Fund and £3,076k from various General Fund reserves (£987k in 2013/14). The General Fund financing is for expenditure on grants and assets not in the ownership of the Council, referred to as Revenue Funding from Capital Under Statute (REFCUS), the costs for which are contained within the net cost of services.

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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.

2013/14 £'000		2014/15 £'000	Notes
	Expenditure		
2,236	Repairs & Maintenance	2,401	
2,401	Supervision & Management	2,017	
41	Rents, rates, taxes and other charges	48	
1,584	Depreciation and Impairment of non-current assets	1,600	2
5	Debt Management costs	6	
55	Movement in the allowance for bad debts	139	3
6,322	**Total Expenditure**	**6,211**	
	Income		
(11,788)	Dwelling rents	(12,335)	
(117)	Non-dwelling rents	(124)	
(155)	Charges for Services and Facilities	(228)	
(377)	Contributions towards expenditure	(26)	
(12,437)	**Total Income**	**(12,713)**	
(6,115)	**Net Cost of HRA Services as included in the Comprehensive Income & Expenditure Statement**	**(6,502)**	
204	HRA services share of Corporate & Democratic Core	228	
7	HRA Share of other amounts included in the whole authority Cost of Services but not allocated to specific services	7	
(5,904)	**Net Expenditure / (Income) for HRA Services**	**(6,267)**	
	HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(225)	(Gain) or loss on sale of HRA non-current assets	(812)	
2,456	Interest payable and similar charges	2,414	11
(44)	Interest and investment income	(40)	
407	Net interest on the net defined benefit liability	275	
-	Capital grants and contributions receivable	-	
(3,310)	**(Surplus) / Deficit for the year on HRA services**	**(4,430)**	

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MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2013/14 £'000		2014/15 £'000	Notes
(1,691)	**Balance on the HRA at the end of the previous year**	**(2,099)**	
(3,310)	(Surplus) / Deficit for year on the HRA Income and Expenditure Statement.	(4,430)	
3,390	Adjustments between accounting basis and funding under statute	4,018	
80	Net (Increase) / Decrease before transfers to or from reserves	(412)	
(488)	Transfers to / (from) earmarked reserves	255	
(408)	**(Increase) / Decrease in year on the HRA**	**(157)**	
(2,099)	**Balance on the HRA at the end of the current year**	**(2,256)**	

NOTE TO THE MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2012/13 Restated £'000	2013/14 Restated £'000		2014/15 £'000	Notes
		Adjustments between accounting basis and funding under statute		
-	-	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 determined in accordance with the Code and determined in accordance with statutory HRA requirements.	-	
110	225	Gain / (loss) on sale of HRA non-current assets.	812	
2,177	2,549	Capital expenditure funded by the Housing Revenue Account	1,562	
-	-	Capital expenditure funded by Earmarked Reserves	4	
(170)	(383)	HRA share of contributions to / (from) the Pensions Reserve	(98)	
1,389	1,402	Transfer to / (from) Major Repairs Reserve	2,402	4
(4,115)	(403)	Transfer to / (from) the Capital Adjustment Account	(664)	
(609)	**3,390**	**Total Adjustments between accounting basis and funding under statute**	**4,018**	
		Transfers to or (from) earmarked reserves		
(147)	(538)	Transfer to / (from) Housing Carry Forward Budget Reserve	209	
20	50	Transfer to / (from) ICT Reserve	46	
(127)	**(488)**	**Total Transfers to / (from) reserves**	**255**	

BACK TO AGENDA

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Housing Revenue Account (HRA) Self Financing

During 2011, the Government announced 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.

2. Depreciation & Impairments

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

2013/14 £'000		2014/15 £'000
1,204	Council Dwellings	1,241
113	Other Land, Buildings & Assets	107
1,317	**Total**	**1,348**

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

2013/14 £'000		2014/15 £'000
1,298	Operational	1,343
19	Non-operational	5
1,317	**Total**	**1,348**

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:

2013/14 £'000		2014/15 £'000
321	Dwellings	498
1	Garages	(3)
(15)	Ousegate Hostel	(54)
(1)	Edgerton Lodge Hostel	(98)
(42)	Community Centres	(72)
3	Non-operational Land	(19)
-	Other Operational Buildings	-
267	**Total**	**252**

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.

BACK TO AGENDA

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 £76k was made during the year in respect of rent arrears in 2014/15 (£4k in 2013/14) and £75k was allocated in respect of Housing Benefit overpayments (£36k in 2013/14). The total rent arrears provision at 31 March 2015 amounted to £145k (£115k 2013/14). In addition, a further provision has been created for general non rent HRA debtors totalling £62k (£64k in 2013/14).

4. Major Repairs Reserve

The following is a statement of the movements in this reserve during the financial year 2014/15:

2012/13 Restated £'000	2013/14 Restated £'000		2014/15 £'000
(871)	**(117)**	**Opening Balance**	**(91)**
(1,272)	(1,312)	Amount transferred to the reserve from the Capital Adjustment Account	(1,310)
		Amount transferred to / (from) the reserve to the Housing Revenue Account:	
(2,294)	(2,639)	- non-current assets	(2,654)
		Debits to the reserve in respect of HRA capital expenditure on:	
4,320	3,977	- houses	2,963
(117)	**(91)**	**Closing Balance**	**(1,092)**

5. 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-13 £'000	31-Mar-14 £'000		01-Apr-14 £'000	31-Mar-15 £'000
732	951	Land	951	1,532
95,546	97,461	Council Dwellings	97,461	98,290
1,261	1,160	Other Buildings	1,160	1,265
97,539	**99,572**	**Total**	**99,572**	**101,087**

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-13 £'000	31-Mar-14 £'000		01-Apr-14 £'000	31-Mar-15 £'000
		Operational		
95,546	97,461	Dwellings	97,461	98,290
1,739	1,656	Other Land & Buildings	1,656	2,193
254	455	Non-operational	455	604
97,539	**99,572**	**Total**	**99,572**	**101,087**

Vacant Possession Value

The vacant possession value of the houses within the Housing Revenue Account as at 1 April 2014 was £320.764m (£319.001m at April 2013). 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.

BACK TO AGENDA

6. Capital Receipts

Capital Receipts totalling £1.244m (£783k 2013/14) were received by the Housing Revenue Account in 2014/15. The total can be broken down as follows:

2013/14 £'000		2014/15 £'000
	Disposal of Assets:	
742	Houses	1,236
41	Land	2
783		**1,238**
-	Principal Repaid on Housing Advances	-
-	Repayment of discount received on Right to Buy sales	6
783	**Total**	**1,244**

7. Capital Expenditure

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

2013/14 £'000		2014/15 £'000
	Capital expenditure	
-	Vehicles, Plant & Equipment	4
-	Intangible Assets	-
-	Land and Infrastructure	-
3,977	Improvements to Council Dwellings	2,963
3,977	**Total**	**2,967**
	Sources of finance	
-	Prudential Borrowing	-
(3,861)	Revenue contributions	(2,876)
(116)	Major Repairs Reserve	(91)
(3,977)	**Total**	**(2,967)**

8. Rent Arrears

During the year 2014/15 rent arrears as a proportion of gross rent income have increased to 2.92% (£361k) from 2.60% (£309k) in 2013/14. The arrears figure includes Housing Benefit overpayments.

2013/14 £'000		2014/15 £'000
309	Rent Arrears at 31 March	361
6	Hostel Arrears	6
(242)	Rent Credits	(229)
-	Hostel Credits	-
73	**Total**	**138**

9. 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. No expenditure has been incurred in 2014/15.

10. Housing Stock

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

31-Mar-14 (number)			31-Mar-15 (number)
528	Houses and Bungalows	- 1 Bedroom	528
891		- 2 Bedroom	887
1,062		- 3 Bedroom	1,043
37		- 4 Bedroom	37
2		- 5 Bedroom	2
225	Flats, Bedsits and Maisonettes	- 1 Bedroom	223
378		- 2 Bedroom	376
1		- 3 Bedroom	1
2	Multi Occupied Dwellings (Hostels)		2
3,126	**Total**		**3,099**

11. 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 Credit and Item 8 Debit (General) Determination for the year.

2013/14 £'000		2014/15 £'000
2,456	Interest Payable on the HRA average Capital Financing Requirement (CFR) for the year at the Consolidated Rate of Interest (CRI) calculated in accordance with the determination	2,414
2,456	**Total**	**2,414**

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 2014/15 the impairment charge is £3.452m (£273.3k in 2013/14).

THE COLLECTION FUND

BACK TO AGENDA

2013/14			2014/15		
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000	Notes
		Income			
(43,373)	-	Income from Council Tax (net of benefits and transitional relief)	(45,139)	-	2
-	(41,940)	Income from NNDR (net of discretionary and mandatory reliefs)	-	(43,000)	3
-	-	Transitional protection payments	-	(13)	
(43,373)	**(41,940)**	**Total Income**	**(45,139)**	**(43,013)**	
		Expenditure			
42,622	21,951	Precepts and demands	43,932	20,961	4
-	21,942	Payment to central government	-	20,951	
-	4,196	Transitional protection payments	-	-	
		Bad and doubtful debts			5
113	68	- Write offs	199	188	
23	170	- Movement in bad debts provision	7	(129)	
		Provision for appeals			6
-	1,285	- Movement in appeals provision	-	(230)	
		Transfers to General Fund			
-	121	- Costs of collection	-	118	
		Contributions			
445	-	- Towards previous year's Collection Fund Surplus	549	(6,949)	
43,203	**49,733**	**Total Expenditure**	**44,687**	**34,910**	
(170)	**7,793**	**(Surplus) / Deficit for the year**	**(452)**	**(8,103)**	
		COLLECTION FUND BALANCE			
(994)	**-**	**Balance Brought Forward**	**(1,164)**	**7,793**	
(170)	7,793	(Surplus) / Deficit for the year	(452)	(8,103)	
(1,164)	**7,793**	**Balance Carried Forward**	**(1,616)**	**(310)**	8

BACK TO AGENDA

NOTES TO THE COLLECTION FUND

1. General

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

The year-end surplus or deficit on the Council Tax 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. That for the National Non-Domestic Rating element is to be distributed between billing, precepting and central government on the basis of estimates made by 31 January each year.

2. Council Tax

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

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

Band	Council Tax Setting				Average Charge in year
	Estimated number of chargeable Properties after effect of discounts	Ratio	Band D equivalent dwellings		
-A	24	5/9	13		868.92
A	7,155	6/9	4,770		1,042.70
B	6,751	7/9	5,251		1,216.48
C	6,867	8/9	6,104		1,390.27
D	5,043	1	5,043		1,564.05
E	3,967	11/9	4,849		1,911.62
F	2,184	13/9	3,154		2,259.18
G	830	15/9	1,383		2,606.75
H	45	18/9	91		3,128.10
Total	**32,864**		**30,658**		
	Impact of anticipated changes to council tax base		-		
	Reduction due to the council tax reduction scheme		(2,195)		
	Less allowance for non-collection		(375)		
	COUNCIL TAX BASE		**28,088**		

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, including the average parish charge, for a Band D property (£1,564.05 for 2014/15) is multiplied by the relevant proportion specified above for each particular Band to give an individual amount due.

In 2013/14 changes in statutory arrangements mean that council tax benefit is no longer received by the Council, instead there is a council tax reduction scheme which is administered locally by each authority, reducing the base over which council tax is recovered.

BACK TO AGENDA

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. With effect from 1 April 2013 the total amount, less certain reliefs and other deductions it shared between central government (50%), Selby District Council (40%), North Yorkshire County Council (9%) and North Yorkshire Fire and Rescue Authority (1%).

The total non-domestic rateable value at 31 March 2015 was £98.387m (£98.306m in 2013/14). The national non-domestic multiplier for the year was 48.2p (47.1p in 2013/14), with a reduction to 47.1p (46.2p in 2013/14) for small businesses. This gives a total sum collectible of £47.423m (£46.302m in 2013/14) before taking into account reliefs and allowances.

4. Precepts and Demands

2013/14 Council Tax £'000	2013/14 NNDR £'000		2014/15 Council Tax £'000	2014/15 NNDR £'000
29,423	3,949	North Yorkshire County Council	30,294	3,771
5,691	-	North Yorkshire Police Authority	5,860	-
1,728	439	North Yorkshire Fire & Rescue Authority	1,779	419
5,780	17,563	Selby District Council (including parishes)	5,999	16,771
42,622	**21,951**	**Total**	**43,932**	**20,961**
-	21,942	Central Government	-	20,951
42,622	**43,893**	**Total**	**43,932**	**41,912**

5. Bad and Doubtful Debts

The Council acts as an agent on behalf of the precepting bodies for Council Tax and from 2013/14 for North Yorkshire County Council, North Yorkshire Fire and Rescue Authority and Central Government (in 2012/13 for Central Government only) 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.

2013/14			2014/15	
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000
113	68	Write-offs during the year	199	188
(136)	(238)	Contributions to provisions during the year	(206)	(59)
(23)	**(170)**	**Net (increase)/decrease in provision in year**	**(7)**	**129**
(555)	(656)	Balance at 1 April	(578)	(826)
(578)	**(826)**	**Balance at 31 March**	**(585)**	**(697)**

BACK TO AGENDA

5. Bad and Doubtful Debts continued ……

The Council's proportion of these write-offs and bad debt provision are included within note 21 of the Core Financial Statements, and the movement analysis is shown below.

2013/14			2014/15	
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000
15	27	Write-offs during the year	26	75
(18)	(96)	Contributions to provisions during the year	(27)	(24)
(3)	**(69)**	**Net (increase)/decrease in provision in year**	**(1)**	**51**
(74)	(262)	Balance at 1 April	(77)	(331)
(77)	**(331)**	**Balance at 31 March**	**(78)**	**(280)**

6. Appeals

The Council acts as an agent on behalf of North Yorkshire County Council, North Yorkshire Fire and Rescue Authority and Central Government for Non-Domestic Rates. Provision is made for Appeals based on prior years' experience. The following table shows the movement in the year.

2013/14			2014/15	
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000
-	-	Amounts charged to provision	-	221
-	(1,285)	Contributions to provision during the year	-	-
-	-	Unused amounts reversed during the year	-	9
-	**(1,285)**	**Net (increase)/decrease in provision in year**	**-**	**230**
-	-	Balance at 1 April	-	(1,285)
-	**(1,285)**	**Balance at 31 March**	**-**	**(1,055)**

BACK TO AGENDA

NOTES TO THE COLLECTION FUND

7. Collection Fund Debtors & Prepayments

The Collection Fund debtors and prepayments are shown in the following table. As the Council is acting as an agent on behalf of the major preceptors and central government only its own share of the Debtors and Prepayments are included with the Balance Sheet of the Council.

	Balance at 31-Mar-14 £'000	Movement in 2014/15 £'000	Balance at 31-Mar-15 £'000
Council Tax Debtors	2,533	31	2,564
Council Tax Prepayments	(836)	(152)	(988)
Non Domestic Rates Debtors	1,330	(98)	1,232
Non Domestic Rates Prepayments	(386)	144	(242)
Net	**2,641**	**(75)**	**2,566**

The Council's proportion of the Council Tax and Non-Domestic Rate debtors and prepayments are included within notes 21 and 23 of the Core Financial Statements and the movement analysis is shown below.

2013/14			2014/15	
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000
		Debtors		
315	-	Balance at 1 April	344	532
29	532	Movement in year	(6)	(39)
344	**532**	**Balance at 31 March**	**338**	**493**
		Prepayment		
(89)	-	Balance at 1 April	(113)	(154)
(24)	(154)	Movement in year	(17)	58
(113)	**(154)**	**Balance at 31 March**	**(130)**	**(96)**

8. Distribution of Year-end (Surplus)/Deficit

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

2013/14			2014/15	
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000
(803)	701	North Yorkshire County Council	(1,120)	(28)
(156)	-	North Yorkshire Police Authority	(217)	-
(47)	78	North Yorkshire Fire & Rescue Authority	(66)	(3)
-	3,897	Central Government	-	(155)
(158)	3,117	Selby District Council (including parishes)	(213)	(124)
(1,164)	**7,793**	**Total**	**(1,616)**	**(310)**

BACK TO AGENDA

GLOSSARY OF TERMS

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

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

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

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

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

Actuarial Gains and Losses:
For a defined benefit pension scheme, the changes in actuarial deficits or surpluses which arise because either events have not coincided with the assumptions made by the actuary for the last valuation (experience gains and losses) or the actuarial assumptions have changed.

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

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

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.

BACK TO AGENDA

GLOSSARY OF TERMS

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

Capital 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 non-domestic rates and paying the government and 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.

BACK TO AGENDA

GLOSSARY OF TERMS

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, Selby District Council, North Yorkshire County Council and North Yorkshire Fire and Rescue Authority.

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.

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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 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.

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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.

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.

Non-Domestic Rates
A national non-domestic rate poundage is set annually by central government and used by charging authorities to raise bills. The proceeds are shared by the charging authority, the government and other determined local authorities in accordance with a formula set by the government.

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.

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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.

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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. Furthermore 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.

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GLOSSARY OF TERMS

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.

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.

SELBY
DISTRICT COUNCIL

Annual Governance Statement 2014/15

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SELBY DISTRICT COUNCIL
Moving forward with purpose

Annual Governance Statement (AGS)

1. Scope of Responsibility

1.1 Selby District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging this overall responsibility, the Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

2. The Purpose of the Governance Framework

2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

2.2 The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.

2.3 Following the Local Government Elections the Council revised its governance framework, in 2011. The Council has operated a Leader and Executive (Cabinet) Model since May 2011. Officer structures were also substantially revised in the same year and became operative in July 2011.

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3. Selby District Council's Governance Framework

3.1 The key elements of the Council's Governance Framework are as follows:-

- The Council's aims are reflected in its Corporate Plan. The current plan was approved by Full Council on 21st April 2015 and covers the period 2015-2020.
- The formal Constitution sets out how the Council operates, how decisions are made, and the procedures that are followed to ensure that these are lawful, efficient, transparent and accountable to local people. This incorporates the Members' Code of Conduct and a number of other locally agreed codes and protocols.
- The Council's budget and policy framework is set by the full Council. The Executive has delegated authority to operate and make decisions within the framework. Some powers are delegated to senior officers.
- In addition to the Executive there are two specific regulatory committees for Licensing and Planning. These have independent powers within their legislative framework. Each of these acts 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 Standards 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 April 2012 and came into effect on 1 July 2012.
- The Executive is subject to review by the Council's Overview and Scrutiny function, which has the ability to call-in and review decisions and also to contribute to the development of policy. There are two statutory scrutiny committees: - Policy Review, and Scrutiny. The Audit and Governance Committee also contributes to scrutiny and overview.
- The Council has established five Community Engagement Forums (CEFs) and is working with them in the development of locally based service delivery options using separate and limited funds.
- Meetings are open to the public except when exempt or confidential matters are being disclosed. The public have an opportunity to participate in some of the meetings.
- A number of areas are delegated to officers for the purposes of decision-making; however, limits on the exercise of delegation are laid down in an approved Scheme of Delegation to Officers forming part of the Council's Constitution.

- The Council has adopted a Local Code of Corporate Governance which is reviewed by the Audit Committee.
- The Council also has separate Whistle-blowing, and Anti-Fraud & Corruption policies. The low level of cases points towards a Council that has a strong and effective counter-fraud and corruption culture.
- The Chief Executive is also a Deputy Chief Executive at North Yorkshire County Council (NYCC). As part of The Better Together programme, the two councils are working together to improve access to services across both councils in order to help customers and to achieve better value for money.
- The Deputy Chief Executive has been appointed as the Council's Monitoring Officer. The appointment of a Monitoring Officer is required in accordance with Section 5 of the Local Government and Housing Act 1989. It is the function of the Monitoring Officer to report to Members upon any contravention of any enactment or rule of law or any maladministration by the Authority. The Monitoring Officer also has responsibilities relating to the Members' Code of Conduct.
- The Executive Director (s151) is the officer with statutory responsibility for the proper administration of the Council's financial affairs, in accordance with the Section 151 of the Local Government Act 1972. In compliance with CIPFA's "Statement on the Role of the Chief Financial Officer in Local Government", Selby is in full compliance as the Executive Director (s151) is a member of the Strategic Management Team.
- Both the Statutory Officers referred to above have unfettered access to information, to the Chief Executive and to Members of the Council in order that they can discharge their responsibilities effectively. The functions of these Officers and their roles are clearly set out in the Council's Constitution.
- A financial management framework comprising:
  - Financial and Contract Procedure Rules as part of the Constitution;
  - A 10 year Financial Strategy which provides the framework for financial planning;
  - Medium-term financial planning using a three-year cycle, updated annually, to align resources to corporate priorities;
  - Service and financial planning integrated within the corporate performance management cycle;
  - Annual budget process involving scrutiny and challenge;
  - Monthly monitoring by management of revenue and capital budgets – with regular reports to Access Selby Board and the Executive;

- Embedded arrangements for securing efficiencies and continuous improvement;
- Production annually of a Statement of Accounts compliant with the requirements of local authority accounting practice;
- Compliance with requirements established by CIPFA.

- A performance management framework provides an explicit link between the corporate priorities and personal objectives of Council Officers. Performance is reported to Members and the Council's Strategic and Corporate Management Teams on a systematic basis with areas of poor performance investigated. Key features of the Performance Management Framework include:-
  - A regular review of the Corporate Plan to ensure that priorities are reviewed, remain relevant and reflect the aims of the Council;
  - A partnership agreement, which is being developed between the Core and Access Selby, will identify key performance measures and targets for the year;
  - Service specific Strategic Plans, which are produced with explicit goals and associated performance targets in order to ensure that achievement of performance is measurable;
  - The Council's staff appraisal system (Performance Contracts) links personal objectives directly to Service Plans;
  - Regular reports on the performance of key indicators, which are presented to Access Selby Management Group, Access Selby Board and the Executive;
  - The 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 procedures are based on recognised good practice and all staff posts have a formal job description and competency based person specification. Services are delivered and managed by staff with the necessary knowledge and expertise with training needs identified via the formal appraisal process contributing to a corporate training strategy.
- Pay is governed by a Pay Policy considered and approved annually by Council.
- The maintenance of systems and processes to identify and manage the key strategic and operational risks to the achievement of the Council's objectives. Risk management continues to evolve within the Council and presently includes the following arrangements:-

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- a Risk Management Policy and Strategy has been adopted by the Council and is reviewed annually;
- a Risk Management guidance document has been issued to key staff along with risk management training;
- the establishment of a Risk Register(s) comprising both Corporate and Operational risks for the Council 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-year with reports to the Audit Committee and the Strategic Management Team;
- the Audit Committee also approve and review the Risk Management Strategy;
- the use by Internal Audit of a risk-based approach in the preparation and delivery of the internal audit plan;
- the requirement for Officers of the Council to consider risk management issues when submitting reports to the Executive and Council for consideration by Members;
- the adoption of an abridged version of the PRINCE2 Project Management Methodology as a means of contributing to the effective management of risks in major projects.

• Following weaknesses identified managing information governance and data protection breaches, plans are now in place to:

- Assign clear roles and responsibilities;
- Approve and implement the necessary policies and rocedures;
- Deliver a targeted training programme;
- Ensure adequate reporting arrangements; and
- Consider appropriate disciplinary procedures for data breaches.

The Executive Director (s151), as designated Senior Information Risk Owner (SIRO), sponsor the work and the Solicitor to the Council manages the detailed project. A report asking for formal designation of the SIRO and Information Asset Owners was approved by the Executive in June 2014.

Information Governance has been added to the Corporate Risk Register and progress was reported in the autumn and at the end of the municipal year.

• The maintenance of an adequate and effective system of Internal Audit is a requirement of the Accounts & Audit Regulations. Internal Audit is provided by Veritau North Yorkshire Ltd. (VNY), which is part of the Veritau group. The work of Internal Audit is governed by the Accounts and Audit Regulations 2011 and the Public Sector Internal Audit Standards. In accordance with these standards internal audit is required to prepare an audit plan on at least an annual basis.

- Internal Audit examines and evaluates the adequacy of the Council's system of internal controls as a contribution to ensuring that resources are used in an economical, efficient and effective manner. Internal Audit is an independent and objective appraisal function established by the Council for reviewing the system of internal control.
- The plan is informed by the Council's main strategic risks. This is intended to ensure limited audit resources are prioritised towards those systems which are considered to be the most risky and/or which contribute the most to the achievement of the Council's priorities and objectives.
- 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.

4. Review of Effectiveness

4.1 The Council has a responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review takes account of the work of internal audit and the Council's Strategic, and Corporate Management Teams who have a responsibility for the development and maintenance of the governance environment, and also by comments made by external auditors and other review agencies and inspectorates.

4.2 The purpose of a review is to identify and evaluate the key controls in place to manage principal risks. It also requires an evaluation of the assurances received, identifies gaps in controls and assurances and should result in an action plan to address significant internal control issues.

4.3 The process that has been applied in maintaining and reviewing the effectiveness of the Council's system of internal control includes the following:

- The Council's Monitoring Officer oversees the operation of the Constitution to ensure its aims and principles are given full effect;
- The arrangements for Overview and Scrutiny have operated throughout the year allowing for the review of key policy areas and providing opportunities for public involvement in specific matters

of business. The revised arrangements have operated since 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 programme of scheduled audits during the year according to its plan including follow up audits. There were no specific investigations in the year. All high risk and key financial systems were audited. The overall opinion expressed by Internal Audit stated:-

  *"The overall opinion of the Head of Internal Audit on the risk management, governance and 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.*
  Although a substantial assurance opinion can be given, we are aware of some weaknesses in the control environment which have been identified around Taxi Licensing, Partnerships, IT access controls and the compliance with the Payment Card Industry Data Security Standard (PCI DSS). We have recommended that the PCI DSS issues are considered for inclusion in the report on the Annual Governance Statement, prepared by the S151 Officer".

- The Council's Risk Register has been maintained under review during the year and updated accordingly. Reports on risk management have been considered by the Corporate Management Team, and the Audit Committee. The Audit Committee has approved a revised Risk Management Strategy. Access Selby's Strategic Risk Register has been developed and maintained and reported to the Access Selby Board;
- In addition, Veritau has provided risk management training to key officers and circulated risk management guidance, designed to complement the Risk Management Strategy.
- Monitoring information on key areas of performance has been provided to Strategic Management and Members on a regular basis with attention focused on those areas that are considered by the Council to be vulnerable;
- The external auditor's annual letter 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 internal control can provide absolute assurance against material misstatement or loss. This Statement is intended to provide reasonable assurance. In concluding this review of the Council's Governance Framework and Internal Control arrangements, one new issue has been identified that needs to be monitored. A detailed plan to address existing weaknesses and ensure continuous improvement in the system of internal control has been produced in response and this will be subject to regular monitoring by the Council's Strategic Management Team and the Audit Committee, where appropriate. The aim is to address these weaknesses during the 2015/16 financial year.

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Appendix A

Year	Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
2012/13	ICT 2011/12. 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. *A Business Impact Assessment was completed in July 2013.* *DR now completed and working, with Craven. April 2014.* *Business Continuity – Action Plans have been drawn up and BCP training is being planned. April 2015.*

Appendix A

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Year	Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
2013/14	Again, reconciliations of bank accounts and feeder systems have been undertaken although some delays have been seen.	Internal Audit Report	The Lead Officer - Finance will ensure that reconciliations are maintained up-to-date.	The Lead Officer - Finance and Access Selby Directors Immediate	May 2015 Some delay in reconciliations has been experienced during 2014/15 but management continue to work with responsible officers to maintain focus on this work.
2013/14	Information Governance and breaches in Data Protection are not adequately managed.	Internal Audit Report	Solicitor to the Council Plans are now in place to: • Assign clear roles and responsibilities; • Approve and implement the necessary policies and procedures; • Deliver a targeted training programme; • Ensure adequate reporting arrangements; and • Consider appropriate disciplinary procedures for data breaches. Internal Audit to assist/advise.		April 2015 Good progress has been made and the approved action plan has been implemented.

Appendix A

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Year	Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
2014/15	Non compliance with the Payment Card Industry Data Security Standard (PCI DSS)	Internal Audit report	Agreed actions: • Management responsibility has been defined • The cardholder data environment will be mapped and documented • Policies and procedures will be developed in relation to PCI DSS • Dependencies on third parties will be explored and assessed • Responsibility for completing annual self-assessment questionnaires will be assigned Internal Audit to assist/advise.	TBC	April 2015 The report is currently in draft stage and should be finalised shortly. At this stage, the timescales for implementation will be agreed. Veritau will provide advice and assistance where necessary and will re-audit procedures later in 2015-16.

Mary Weastell
Chief Executive

Councillor Mark Crane
Leader of the Council

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Statement of Accounts 2014/15 – Explanatory Notes

1 Introduction

1.1 This paper supports the report and statutory Statement of Accounts presented to Audit Committee for approval. It provides explanations and commentary on the main issues within the accounts to facilitate robust scrutiny and challenge of the accounts prior to approval.

1.2 The purpose of the Statement of Accounts is to give the public, councillors, employees, other stakeholders and interested parties clear information about the Council's finances. In summary the accounts should show:

- The cost of the services provided by the Council over the year
- Where the money came from to pay for these services
- The Council's assets and liabilities at the end of the financial year.

1.3 The accounts have been compiled using the "Code of Practice on Local Authority Accounting in the UK 2014/15" (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 2014/15, although a different presentation of the Cash Flow is now incorporated.

2 Explanatory Foreword

2.1 The purpose of the Explanatory Foreword is to provide an easily understandable guide to the most significant matters reported in the accounts. It includes details of:

- The statements included in the accounts.
- A summary of the Councils revenue income and expenditure for the year and variances against the previous year's figures.
- A summary of capital expenditure and how this was financed.
- Changes to accounting policies and practice.
- Any other significant matters.

3 Statement of Responsibilities for the Statement of Accounts

3.1 This statement sets out the various responsibilities for the accounts:

- The Council's responsibilities under local government legislation.
- The Executive Director s151 legal and professional responsibilities.

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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	2013/14 £’000	2014/15 £’000	Variance £’000	Comment
(Surplus) / Deficit on Provision of Services	(4,530)	(6,174)	(1,644)	Variations are identified in paragraph 5.2, but include prior years deferred business rates income (£361k), revaluation costs of land now used for car parking £478k, impairment cost of Abbey Leisure Centre Demolition in 2013/14 (£592k), revaluation costs of unused assets (£237k), Planning Services (£266k), from increased income due to large applications, Housing Revenue Account from Rent Rises and service savings (£387k) and Other Operating Expenditure (£394k) particularly from gains on the disposal of Non-Current Assets.

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Description	2013/14 £'000	2014/15 £'000	Variance £'000	Comment
Other Comprehensive Income & Expenditure	(8,592)	3,469	12,061	Comprises mainly the effect of remeasurements of the net defined benefit liability (£12,937k), and surpluses/deficits on revaluation and impairment of property, plant and equipment (-£874k).
Balance on Total Authority Reserves at 31 March	(59,113)	(61,818)	(2,705)	This represents the increase in the net wealth or value of the Council over the year.

5 <u>Comprehensive Income and Expenditure Statement</u>

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 £1,699k).
- 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 £7,567k).
- Income received in respect of general government grants and local taxation (bringing the overall net total on provision of Services to a surplus of £6,174k).
- Net deficit on revaluation of Non-Current Assets of £3,469k (bringing the overall total of Comprehensive Income and Expenditure to a surplus of £2,705k).

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 2013/14 and 2014/15:

Description	2013/14 £'000	2014/15 £'000	Variance £'000	Comment
Exceptional item - business rates	-	(361)	(361)	Prior year's deferred rates income retained by the Council.
Description	2013/14 £'000	2014/15 £'000	Variance £'000	Comment
Exceptional item Impairment - Abbey Leisure Centre	592	-	(592)	2013/14 had the final impairment due to the demolition of the remaining Abbey Leisure Centre.
Expenditure - Planning	1,719	1,644	(75)	Reduced expenditure on economic development (-£168k) from property revaluations.
Income - Planning	(768)	(959)	(191)	Increased income on development control (£196k) from large planning applications submitted.
Exceptional item Revaluation costs of land now used as car parks	-	478	478	Two areas of land formerly held as potential development land are now valued as car parks (the former civic centre and the Tadcaster redevelopment area).
Expenditure – Corporate and Democratic Core	1,885	1,543	(342)	Salary savings from vacant and frozen posts and the impact of reduced costs for a shared Chief Executive, in addition savings from the allocation of central overheads.
Exceptional Item - Revaluation of unused assets	237	-	(237)	The reduction in value of non-current assets in 2013/14 is a non-recurring charge.
Other Operating Expenditure:				
Gain on the disposal of non-current assets	(199)	(812)	(613)	Reflects the increased number of properties sold in 2014/15.
Taxation and Non-Specific Grant Income:				

Description	2013/14 £'000	2014/15 £'000	Variance £'000	Comment
Business Rates income	(1,678)	(2,301)	(623)	The Council's share of the business rate income in accordance with Business Rates Retention Scheme.
Revenue Support Grant	(3,229)	(2,520)	709	Changes to grant allocation.
Small business empty property rate relief	(303)	(430)	(127)	Grant from the government to meet the cost of the enhanced relief given to small businesses, increased in line with the extension of the scheme.
Non Service Related Government Grants	(1,414)	(1,948)	(534)	Increased income from grants for new homes bonus (-£532k) and new burdens (-£59k) offset by the non-receipt of council tax reduction grant (+£48k).
Recognised Capital Grants and Contributions	(1,568)	(413)	1,155	Sports England grant towards the build costs of the new Leisure Centre. 2014/15 is the final grant except for a small residual amount.
Surplus or deficit on revaluation of property, plant and equipment	(514)	(1,060)	(546)	Impact on the accounts of the quinquennial revaluation of non-dwelling assets during 2014/15.
Remeasurement of the net defined benefit liability	(8,408)	4,529	12,937	This is the year end actuarial valuation of the Council's share of the pension fund assets and liabilities

5.3 Councillors will note that the Comprehensive Income and Expenditure of the Council has moved from a surplus of £13,122k at the end of 2013/14 to a surplus of £2,705k at the end of 2014/15, a net decrease in surplus of £10,417k - the variances identified above make up the majority of this movement.

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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 2013/14 and 2014/15 are set out in the table following.

Description	2013/14 £'000	2014/15 £'000	Variance £'000	Comment
Property Plant & Equipment.	116,267	123,238	6,971	Net effect on the value of the Council's assets of in year acquisition/enhancement of £9.272m, net revaluations (£1.060m), depreciation (-£1.987m), movement in the value of leased assets (-£405k), the reclassification of an asset as an Investment Property (-£520k) and the book value of the council assets sold during the year (-£449k).
Investment Property	-	500	500	Reclassification of Bondgate Land from Property, Plant and Equipment
Long Term Investments	4,030	7	(4,023)	Movement in fixed term deposits which the Council has invested with banks and other local authorities for more than 364 days. Interest rates are low, so more money is currently being held on the money market where rates are higher.

Description	2013/14 £'000	2014/15 £'000	Variance £'000	Comment
Short Term Investments & Loans	8,064	9,068	1,004	Movement on short term investments which the Council has invested with banks and other local authorities for a period more than three months and which have a maturity date earlier than 31 March 2015.
Short Term Debtors	9,796	2,893	(6,903)	Two large debtors at 31 March 2013 were one-off, £4.8m for the business rates scheme and £1.6m Sport England grant.
Cash and Cash Equivalents	10,706	15,027	(4,321)	This increase represents the value of the Council's short term investments that are repayable within three months from the date of investment.
Short Term Creditors	(9,956)	(4,501)	5,455	A large creditor in 2013/14 (£6.0m) for transitional relief on the business rates scheme was non-recurring.
Defined Benefit Pension Scheme	(17,957)	(22,869)	(4,912)	Year-end actuarial valuation of the Council's share of the North Yorkshire Pension Fund liabilities.
Finance Leases	(737)	(323)	414	Removal and replacement of vehicles from the street scene contract and the 2014/15 lease charges.
Usable Reserves	(23,125)	(18,444)	4,681	Net reduction in earmarked reserves (£3,733k) during 2014/15 through planned contributions and savings generated during the year and utilising the previously set aside money to meet the Council's share of

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Description	2013/14 £'000	2014/15 £'000	Variance £'000	Comment
Usable Reserves continued				business rates year-end deficit. Contributions to the HRA balance (-£157k) and Major Repairs Reserve (-£1,001k) from the HRA income and expenditure account, the latter including sums set-side to meet future debt repayment costs. Reduction in capital receipts reserve (£2,106k) due to usage to fund capital expenditure.
Unusable Reserves	(35,988)	(43,374)	(7,386)	The main variances are on the Revaluation Reserve (-£0.808m) mainly due to net upward revaluation of property, plant and equipment; Capital Adjustment Account (-£8.219m) being costs of depreciation and disposals in year, offset by financing new capital expenditure and the receipt of HRA voluntary set-aside; the pensions reserve (£4.912m) in line with year-end actuarial valuation of the Council's share of the North Yorkshire Pension Fund assets and liabilities, and the collection fund adjustment account (-£3.278m) which includes the Council's share of the net year-end business rates surplus for which money has been set aside in earmarked reserves.

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 The Council has decided to report the Cash Flow Statement using the indirect method in 2014/15. The figures for 2013/14 have been restated to match the presentation.

7.2 Councillors may wish to note the following explanations for key variances when compared with 2013/14.

Description	2013/14 £'000	2014/15 £'000	Variance £'000	Comment
Net (Surplus)/ Deficit on the provision of services	(4,530)	(6,174)	(1,644)	Refer to Para 5.2 for an explanation of key variances.
Adjustments to net (surplus)/deficit on the provision of services for non-cash movements	(7,405)	(5,368)	2,037	Comprises movements in depreciation, amortisation, impairment and revaluations charged for council assets (£1,274k), in the level of increase in the provision for bad/doubtful debts (£434k), variation in the amount set aside in the year for provisions (£554k) and pensions liability (-£387k).
Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	4,256	1,833	(2,423)	Includes the movement in interest paid and received and capital grants and contributions used to fund capital expenditure, particularly the Selby Leisure Centre build.
Investing Activities	(1,617)	5,963	7,580	Increased capital spend in relation to the leisure centre and the movement in long and short term investments.

Description	2013/14 £'000	2014/15 £'000	Variance £'000	Comment
Financing Activities	(25)	(575)	550	Reflects movement in net debtors/creditors on council tax and nndr

8 Explanatory Notes to the Statement of Accounts

8.1 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.

8.2 For 2014/15 there is a Restatement of Accounts section which sets out adjustments that have been made to prior year figures. The main adjustment relates to the treatment of the voluntary sum being set-aside by the HRA which was being included in the Major Repairs Reserve (a Usable Reserve) instead of the Capital Adjustment Account (an Unusable Reserve). Correcting this has not led to any change in the revenue accounts or the General Fund or Housing Revenue Account, but has necessitated including a third year in many of the Statements, to show the impact on 2012/13, the first year of this transaction, as well as 2013/14.

8.3 A second adjustment has been made to correct an error in analysis in the 2013/14 Cash-Flow as a consequence of the change in business rate accounting in that year.

8.4 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 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

9.1 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.

9.2 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.

9.3 Explanations for key variances between 2013/14 and 2014/15 are as follow:

Income and Expenditure Account:

Description	2013/14 £'000	2014/15 £'000	Variance £'000	Comment
Supervision & Management	2,401	2,017	(384)	Reduction in costs resulting from the transfer of the lifeline service to the General Fund
Dwelling Rents	(11,788)	(12,335)	(547)	Increase in rents due from tenants by an average of 5.6% based upon the Retail Price Index level in September 2013 which influences the calculation. This was the final year of the rent restructuring model.
Contributions towards expenditure	(377)	(26)	351	Reduction in income from the transfer of the lifeline service to the General Fund.
(Gain) or loss on sale of HRA non-current assets	(225)	(812)	(587)	Higher level of activity under Right to Buy scheme.
Net interest on the net defined benefit liability	407	275	(132)	Increased interest earned on assets on the pension fund has led to this reduction.

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Note to the Movement on the HRA Statement

Description	2013/14 £'000	2014/15 £'000	Variance £'000	Comment
Capital expenditure funded by the HRA	2,549	1,562	(987)	Changes to the funding of the HRA capital programme, mainly reduced expenditure on roofing and kitchen schemes.
HRA share of contributions to / (from) the Pensions Reserve	(383)	(98)	285	Adjustment arising from Actuarial review of the Pension Fund.
Transfer to / (from) Major Repairs Reserve	1,402	2,402	1.000	Core surpluses transferred to the MRR to support future capital spend.
Transfer to / (from) Housing Carry Forward Budget Reserve	(538)	209	747	Movement in authorised carry forwards between years.

10 Housing Revenue Account Notes

10.1 There are no further issues that need to be brought to Councillors attention.

11 Collection Fund

11.1 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.

11.2 The major variances on the Collection Fund are highlighted below:

Description	2013/14 £000's	2014/15 £000's	Variance £000's	Comment
Income from Council Tax	(43,373)	(45,139)	(1,766)	Increase in the tax base partially due to the changes following the introduction of the council tax reduction scheme, and increased level of council tax for Selby Council.
Income from NNDR	(41,940)	(43,000)	(1,060)	This is the income due based on the rateable value of businesses within the district, reduced by discretionary and mandatory reliefs.
Precepts and demands - council tax	42,622	43,932	1,310	Increase in CTax paid to precepting bodies in line with the demands received from them.
Precepts and demands - nndr	21,951	20,961	(990)	This is the amount paid to SDC, the County and the Fire Authority as their share of the nndr income collected in the year.
Payment to central government	21,942	20,951	(991)	This is the amount paid to government as its share of the nndr income collected in the year.
Transitional protection payments	4,196	-	(4,196)	The 2013/14 payment related to prior year adjustments, there is no equivalent sum due in 2014/15. This transaction is outside the business rate retention scheme.
Provision for Appeals	1,285	(230)	(1,515)	2013/14 was the first year of calculation, and hence was a total provision for all years. The 2014/15 figure shows the movement between the estimated sum which would be payable if appeals were successful at the two year-ends.

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12 Glossary

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

13 Annual Governance Statement

13.1 The Annual Governance Statement reviews the effectiveness of the Council's internal control systems for the year of account and, in accordance with the Accounts and Audit Regulations 2011 forms part of the Council's statutory Statement of Accounts. The statement is covered by a separate report on the Committee's agenda.

14 Conclusions

14.1 The Council budgeted to break-even on General Fund services in 2014/15. The actual position for the year shows that savings of £429k enabled contributions to the Access Selby Reserve (£63k) and the Contingency Reserve (£366k) 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, planning fee income windfall contributions and income and on-going budget savings exercises throughout the year.

14.2 The budget for the Housing Revenue Account (HRA) was set to contribute £1.01m to the Major Repairs Reserve (MRR) and £14k to HRA balances, however the out-turn was a surplus of £1.250m. The surplus was allocated £157k to the HRA balance and £1.093m to the MRR. The reasons for the variations are set out in the Explanatory Foreword (page 10) but mainly related to savings from Access Selby.

14.3 Capital expenditure for the General Fund and HRA totalled £9.560m against a budget of £11.202m, giving a variance of £695k on the General Fund and £947k on the HRA. The majority of the variance within the HRA related to the timing of payments and slippage on programmed and responsive works on the Council's properties which have been carried forward to 2015/16 when they will be completed.

14.4 The following table highlights extracts from the Statement of Accounts to show the key elements of the Council's financial position at the end of March 2015 compared with the previous financial year.

Description	As at 31 March 2014 £'000	As at 31 March 2015 £'000	Movement £'000	Comment
Property, Plant and Equipment	116,267	123,238	6,971	This includes the capital expenditure in the year (£9.3m) offset by the net impact of re-categorisation, depreciation, disposals and revaluations (£1.8m).
Investment Property	-	500	500	Re-classification of asset formerly held in property, plant and equipment
Long Term Investments	4,030	7	(4,023)	Interest rates are currently low, so more is being held on the money market where rates are higher.
Short Term Investments	8,064	9,038	974	Increased to reflect the level of long-term investments now due within 12 months.
Short Term Debtors	9,796	2,893	(6,903)	Reflects the non-recurrence of the year-end business rates deficit due from the government and preceptors (£4.8m) and grant income for the new sports centre (£1.6m) which were in the 2014 figure.
Cash and cash equivalents	10,706	15,027	4,321	Movement reflects cash held in deposit accounts at the year-end to aid treasury management activity.
Short Term Creditors	(9,956)	(4,501)	(5,455)	Mainly reflects the non-recurrence of the amount due to be paid to the government in relation to business rates transitional relief (£6.0m) in 2013/14.

Description	As at 31 March 2014 £'000	As at 31 March 2015 £'000	Movement £'000	Comment
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	(17,957)	(22,869)	(4,912)	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.
TOTAL NET ASSETS	59,113	61,818	2,705	
General Fund Balance	(1,674)	(1,674)	-	Contribution from service costs as per budget and year-end approval.
Earmarked Reserves	(14,924)	(11,191)	3,733	Reduction in reserves as a consequence of using the reserve set aside to meet the costs of the 2013/14 business rates year-end deficit and to finance part of the cost of the new Leisure Centre, offset by £513k savings within the General Fund.
Housing Revenue Account	(2,099)	(2,256)	(157)	Contribution from service costs as per year-end approval.

Description	As at 31 March 2014 £'000	As at 31 March 2015 £'000	Movement £'000	Comment
Major Repairs Reserve	(91)	(1,092)	(1,001)	Contribution to the reserve to provide resources to fund future HRA capital programme schemes.
Capital Receipts Reserve	(4,109)	(2,003)	2,106	Sales receipts in 2014/15 offset by use to support the capital programme, mainly the new Leisure Centre.
Revaluation Reserve	(2,098)	(2,906)	(808)	Net upward revaluations of non-current assets.
Capital Adjustment Account	(54,810)	(63,029)	(8,219)	In-year depreciation and assets disposed of costs, offset by financing new capital expenditure and HRA Voluntary set-aside.
Pensions Reserve	17,957	22,869	4,912	In line with the movement on Pensions Liability.
Collection Fund Adjustment Account	2,950	(328)	(3,278)	To meet the deficit on business rates paid in 2014/15 offset by 2014/15 surpluses on business rates and council tax.
TOTAL NET WORTH	(59,113)	(61,818)	(2,705)	

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Audit Completion Report

Selby District Council – year ended 31 March 2015

AGENDA ITEM: 8

REPORT NUMBER: A/15/9

September 2015

MAZARS

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Audit Committee
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15 September 2015

Dear Sirs / Madams

Audit Completion Report – Year ended 31 March 2015

We are delighted to present our Audit Completion Report for the year ended 31 March 2015. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and areas of management judgement was outlined in our Audit Strategy Memorandum which we presented on 15 April 2015. We have reviewed the significant audit risks and areas of management judgement included in our Audit Strategy Memorandum and concluded that the original significant audit risks and areas of management judgement remain appropriate.

We would like to take this opportunity to express our thanks to your officers for their assistance during the course of our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0191 383 6300 or cameron.waddell@mazars.co.uk.

Yours faithfully

Cameron Waddell
Director

Mazars LLP

Contents

01 Executive summary

Purpose of this document

This document has been prepared to communicate the findings of our audit for the year ended 31 March 2015 to the Audit Committee of Selby District Council and forms the basis for discussion at the Audit Committee meeting on 29 September 2015.

Our communication with you is important to:

- share information to assist both the auditor and those charged with governance to fulfil our respective responsibilities;
- provide you with constructive observations arising from the audit process;
- ensure, as part of the two-way communication process, we gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Selby District Council; and
- receive feedback from yourselves as to the performance of the engagement team.

As outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK and Ireland) which means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement. Section 2 of this report includes our conclusions on the significant risks and areas of management judgement that we set out in our Audit Strategy Memorandum.

We also set out details of internal control recommendations in section 3 and a summary of misstatements discovered as part of the audit in section 4.

Status and audit opinion

We have substantially completed our audit of the financial statements for the year ended 31 March 2015.

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.

We will provide an update to you in a follow up letter to this report should any issues arise in relation to this matter.

Subject to the satisfactory conclusion of the remaining audit work, we anticipate:

- issuing an unqualified opinion, without modification, on your statement of accounts; and
- concluding that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

We also anticipate completing our work in respect of your Whole of Government Accounts submission in line with the group instructions issued by the National Audit Office by the deadline of 2 October 2015.

Our proposed audit report is set out in Appendix B.

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02 Significant findings

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding the significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 6 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

Management override of controls

Description of the risk

Auditing standards state that management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits. This does not imply that we suspect actual or intended manipulation but that we approach the audit with due professional scepticism.

How we addressed this risk

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 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; and
- consideration and review of any unusual or significant business transactions; and consideration of local factors.

Audit conclusion

Our work has provided the assurance we sought and has not highlighted any issues to bring to your attention.

Revenue recognition

Description of the risk

Auditing standards include a rebuttable presumption that there is a significant risk in relation to the timing of income recognition and in relation to judgements made by management as to when income has been earned. Mazars' policy is that the scope to apply such a rebuttal is limited. As there is an inherent risk of fraud in revenue recognition we consider it to be a significant risk on all audits. This does not imply that we suspect actual or intended manipulation but that we continue to approach the audit with due professional scepticism.

How we addressed this risk

We evaluated the design and implementation of controls which mitigated this risk. In addition we undertook a range of substantive procedures including:

- testing of income including tests to ensure transactions were recognised in the correct year;
- testing year end receivables and accruals;
- obtaining direct confirmation of year-end bank balances and testing the reconciliations to the ledger; and
- testing journals.

Audit conclusion

Our work has provided the assurance we sought in relation to revenue recognition and has not highlighted any issues to bring to your attention.

Pension entries (IAS 19)

Description of the risk

The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, 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.

How we addressed this risk

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 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.

Audit conclusion

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.

Property, plant and equipment – valuation / prior year errors

Description of the area of management judgement

Accounting standards and CIPFA's Code of Practice on Local Authority Accounting require that all property, plant and equipment are depreciated, unless there is a specific exception. There are also requirements to regularly revalue assets carried at fair value on the Council's balance sheet and to carry out impairment reviews.

These involve management judgements over the useful lives and valuations of assets.

In addition, there have been material errors in accounting for property, plant and equipment in recent years, which required correction.

How we addressed this area of management judgement

We discussed with officers the design and implementation of controls in respect of depreciation, revaluations and impairments as part of our walkthrough of the property, plant and equipment system.

In addition to our standard programme of work in this area, we also undertook:

- substantive testing of depreciation, revaluations and impairments per the disclosure note to the financial statements;
- a review and evaluation of the work of the valuer (Stephenson's), including the valuer's report;
- consideration of regional valuation trends; and
- specific follow up of the areas subject to material error in previous years.

Audit conclusion

We have carried out specific testing to address the significant risk in relation to property, plant and equipment entries and disclosures.

We identified the following non-material errors in relation to PPE:

- investment property totalling £0.5 million had been included within 'Other Land and Buildings', rather than being separately disclosed; and
- some 'Other Land and Buildings' assets had been incorrectly valued using 'Market Value', with the difference in valuation being £0.075 million.

These errors have been corrected in the final version of the financial statements, which will be presented to Members for approval on 29 September 2015.

Accounting policies and disclosures

We have reviewed Selby District Council's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting. There have been no significant changes to accounting policies from the previous year.

We have reviewed the overall neutrality, consistency and clarity of the disclosures in the statement of accounts relating to areas where judgements are made in formulating particularly sensitive financial statement disclosures (for example disclosures related to remuneration, going concern, subsequent events, and contingencies).

Significant matters discussed with management

During the course of the audit we did not encounter any significant matters that required discussion with management. We did discuss further a number of issues around the valuation of assets, including the methods used to value the leisure centre. These issues were resolved satisfactorily.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

03 Internal control recommendations

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

We have not identified any matters to report. If we had performed more extensive procedures on internal control we might have identified deficiencies to be reported. Our comments should not be regarded as a comprehensive record that there are no deficiencies or improvements that could not be made.

04 Summary of misstatements

We set out below the misstatements identified during the course of the audit, above the trivial level, for adjustment.

There were no unadjusted misstatements and management has amended all the misstatements identified and reflected the corrections in the final version of the financial statements presented to Members for approval.

Adjusted misstatements 2014/15

		CIES		Balance Sheet	
		Dr £'000	Cr £'000	Dr £'000	Cr £'000
1	Dr: Investment Property			**500**	
	Cr: PPE – Other Land & Buildings				**500**
	Correction to reflect Investment Property originally included within Other Land & Buildings incorrectly.				
2	Dr: Revaluation Reserve			**75**	
	Cr: PPE – Other Land & Buildings				**75**
	Incorrect valuation of several Land & Buildings assets using Market Values - total overstatement of £75k to be corrected to bring the valuation in line with Existing Use Values.				
3	Dr: Creditors			**106**	
	Cr: Debtors				**106**
	Correction to amount initially mis-posted to a Creditor code.				

BACK TO AGENDA

Adjustments identified by management

Management has identified a correction in its accounting treatment of the voluntary excess - MRP (Minimum Revenue Provision) it charges annually to the HRA. This is a voluntary provision to reduce the indebtedness of the HRA. In 2012/13, 2013/14 and the draft accounts for 2014/15, this provision was credited to the Major Repairs Reserve (MRR). Following a review of this, officers have identified that it is more appropriate to credit this to the Capital Adjustment Account (CAA). This removes the amounts charged from available resources and we agree with this technical interpretation of the correct accounting treatment.

Officers have corrected this in the financial statements.

The corrections to the 2012/13 and 2013/14 figures have been made as a prior period adjustment, impacting on the prior year comparative figures:

		CIES		**Balance Sheet**	
		Dr £'000	Cr £'000	Dr £'000	Cr £'000
1	Dr: Usable Reserves - Major Repairs Allowance			**2,350**	
	Cr: Unusable Reserves - Capital Adjustment Account				**2,350**
	Correction to prior year figures.				

The correction to the 2014/15 figures have been made as an adjustment to the balance sheet at 31 March 2015:

		CIES		**Balance Sheet**	
		Dr £'000	Cr £'000	Dr £'000	Cr £'000
2	Dr: Usable Reserves - Major Repairs Allowance			**930**	
	Cr: Unusable Reserves - Capital Adjustment Account				**930**
	Correction for accounting treatment in 2014/15.				

The cumulative impact of these adjustments is to reduce Usable Reserves – Major Repairs Allowance by £3,280k with a corresponding entry to Unusable Reserves – Capital Adjustment Account.

In additional to the changes to the Balance Sheet, there are corresponding impacts on the Movement in Reserves Statement, the Notes on Usable and Unusable Reserves, the Note to the Movement on Housing Revenue Account Statement and note 4 to the Housing Revenue Account.

Management also amended the Cash Flow Statement to correct errors that had been identified in the original statement submitted for audit.

		CIES		Balance Sheet	
		Dr £'000	Cr £'000	Dr £'000	Cr £'000
3	Dr: Cash Flow Statement - Adjustment for items included in net (Surplus)/Deficit that are investing / financing activities	**3,725**			
	Cr: Cash Flow Statement - Adjustment to net (Surplus)/Deficit on Provision of Services for non-cash movements		**1,607**		
4	Dr: Cash Flow Statement – Investing Activities	**1,388**			
	Cr: Cash Flow Statement – Financing Activities		**3,506**		
	Correction to the Cash Flow Statement. The original Cash Flow Statement was based on incorrect working papers – revised workings and statement produced. Nil net effect on overall cash flow position.				

Disclosure amendments

- The financial instruments notes contained several instances where figures shown in the notes did not correspond with the figures in the Council's working papers. This was due to human error when transferring the figures from the working papers, and this has been corrected.
- The retirement benefits note was amended to reflect the anticipated contributions in 2015/16 per the actuary's report – the figure was originally shown as £1.316m, rather than £1,325k per the report.
- The external audit costs note has been amended to show the Audit Commission rebate as a separate narrative in order to differentiate from 2014/15 audit costs, as the rebate relates to the 2013/14 audit.
- A number of other minor errors, omissions, clarifications and typographical errors were corrected.

05 Value for money

We are required to conclude whether the Council has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources. We do this by considering the Council's arrangements against two specified reporting criteria.

Criteria	Focus of each criterion
The Council has proper arrangements in place for securing financial resilience.	The Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
The Council has proper arrangements for challenging how it secures economy, efficiency, and effectiveness.	The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

As part of our work, we also:

- review your annual governance statement;
- review the work of other relevant regulatory bodies or inspectorates to the extent the results of the work have an impact on our responsibilities (where applicable); and
- carry out any risk-based work we determined to be appropriate.

In the Audit Strategy Memorandum we identified a significant risk relevant to the value for money conclusion. We detail below how we have addressed this risk and our conclusions.

We intend to issue an unqualified Value for Money conclusion as set out in Appendix B.

Our summary assessment of the Council's arrangements is set out on the following pages.

Significant Value for Money risk

Risk to the financial resilience criterion – level of savings required
Description of the risk The Council is facing continuing decreases in resources due to the current economic climate and funding reductions. As a result, the Council's Medium Term Financial Plan has forecast savings required of £0.468 million in 2015/16 and a further £1.388 million over the next two years in order to deliver a balanced budget. The Council has a good track record of achieving savings against the backdrop of the recent period of austerity, via various initiatives. It has identified savings for 2015/16 will be delivered and has already agreed plans for delivering savings for the years after that although there remains a gap. The Council has reflected this risk in its strategic risk register and further work is ongoing. Therefore, we are highlighting a significant risk to the financial resilience criterion in light of the savings the Council needs to achieve over the period of its Medium Term Financial Plan in order to deliver a balanced budget.
How we addressed this risk We reviewed budget monitoring and reporting, focusing on areas where action plans are in place to make savings and seek to minimise any adverse impact on services. We reviewed the plans that are developed to deliver future savings and also plans to deliver improvements for the community, including: • increased collaboration with North Yorkshire County Council, and • the delivery of affordable housing through the housing trust.

Conclusion

Based on the work completed (also see the tables below), we are satisfied that the Council has proper arrangements for securing financial resilience.

The tables below provide a commentary alongside each aspect of the two criteria which forms the basis for our assessment. This is followed by an overall assessment which also includes a reality check on our findings.

Financial resilience

Criterion	Aspect	Commentary	Arrangements in place
Arrangements for securing financial resilience	Financial Governance	The leadership is very aware of the changing financial management challenges. They have made significant savings over the last couple of years, and continue to make savings. An example of the Council taking action includes the Better Together project with North Yorkshire County Council. The two councils are looking to work together in some areas to provide savings for both. Each year the Council considers how robust the budget is, and it also reviews the sensitivity analysis to demonstrate the variable nature of the assumptions made in the budgets to the Executive and the Council. The significant savings made to date by the Council show there is a good understanding throughout the organisation of the financial position. Members do scrutinise and challenge performance, and the Audit Committee provides appropriate oversight. Quarterly budget monitoring reports are presented to the Executive and the Council.	Yes

Criterion	Aspect	Commentary	Arrangements in place
	Financial Planning	The Council has managed its financial position well. The Council increased council tax by 1.96% in 2014/15 and a freeze in council tax has been approved for 2015/16. Budget setting is robust and close monitoring ensured delivery of spending within budget in 2014/15. At the year end, the draft accounts showed a budget surplus of £429k for the General Fund and the HRA a surplus of £1.250m. Savings exceeded target for the core General Fund and for the HRA. However, the target was missed for Access Selby, though offset by in year surpluses. The Council maintains a sensible General Fund Balance. Careful financial management has enabled it to build up a good level of earmarked reserves, although these are set aside for specific plans and projects. The earmarked reserves do enable the Council to manage its financial position more effectively over the medium term. 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 also has a plan looking ahead to the next 10 years. The Council has considered the impact of the retention of business rates and localisation of council tax support, and is monitoring these areas closely. Financial and corporate planning processes are closely aligned, this has been particularly evident in the current difficult economic environment. Risk management arrangements are robust, workforce planning has led to significant reductions in overall workforce in the last major restructuring, and the Council maintains a reasonable capital programme. The Council has good arrangements for treasury management and this is regularly monitored and reported.	Yes
	Financial Control	The Council monitors its revenue and capital budgets closely during the year. Corrective action is taken when necessary, and budget monitoring appears to be robust. There have been no significant overspends in recent years, and the Council has recorded underspends for the last few years, including the current year. Robust control has allowed the Council to manage its financial position well. As noted above, the accounts for 2014/15 show that the Council achieved a surplus of £429k for the General Fund and £1.250m for the HRA. The Council has also delivered 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. The expectation is, and the Council is preparing for, difficult decisions in future years. Cash flow is managed effectively. The Council has investments due to its cash-backed earmarked reserves.	Yes

Securing economy, efficiency and effectiveness

Criterion	Aspect	Commentary	Arrangements in place
Arrangements for challenging economy, efficiency and effectiveness	Prioritising resources	The leadership team does have a good grasp of the issues and is taking the action needed to secure the financial position. Following the restructure to a new delivery model for the Council, the Council have consistently delivered planned savings. It is looking further afield to deliver savings for the future, to work in partnership with other authorities, in particular North Yorkshire County Council. The Better Together project is expected to deliver further savings going forward. The Council carry out consultations with the public and with the staff. The staff are positive about the future plans for the local authority. There are many recent examples of consultation including: • planning service local validation list • budget and corporate plan • homelessness strategy • customer strategy and • development plan. There is effective cost and performance management across the Council, and there are clear and robust links between the strategic priorities and in-year service decisions.	Yes
	Improving efficiency and productivity	The Council receive quarterly updates on performance and budget outturns. Where appropriate option appraisals are used, recent examples include the transfer of assets to the housing trust. Staff surveys are carried out which have been positive. The Council is forward looking and is continuing to seek out saving opportunities such as its Better Together project with North Yorkshire County Council. It is part of the Yorkshire Procurement Partnership to help deliver savings in its procurement. The authority compares well in terms of overall value for money. The Council makes use of comparative and benchmarking information where possible. Significant savings have already been made, and service performance has been maintained. The Council sets itself challenging savings targets and has delivered these so far. The 'State of the Area' address from summer 2014 was a very clear articulation of how and where Selby had achieved its priorities, and it has been used to develop the refreshed Corporate Plan 2015-2020.	Yes

Overall assessment

Having gathered evidence of the Council's arrangements for each criterion we conducted a 'reality check', building upon our existing knowledge of the Council and considering the robustness of our assessment by referring to:

- reports by statutory inspectorates or other regulators;
- achievement of performance and other targets; and
- performance against budgets and other financial targets.

Evidence	Auditor assessment
Reports by statutory inspectorates or other regulators	There were no reports by any statutory inspectorates or other regulatory bodies during the year which might impact on our conclusion. We did review the value for money profiles (based on data previously maintained by the Audit Commission, but now available on the Public Sector Audit Appointments website). Based on this review, there were no indicators which would suggest weaknesses in the Council's arrangements, or any information contrary to our knowledge of the Council.
Achievement of performance and other targets	The Council's annual report includes performance against a number of indicators. This showed that for most indicators, performance is largely in line with the previous year. There has been some slight deterioration in performance for a couple of indicators, but nothing which indicates weaknesses in arrangements to secure value for money.
Performance against budgets and other financial targets	The Council has reported an underspend against budget in its 2014/15 financial statements. A balanced budget has been set for 2015/16 onwards.

Conclusion

Taking our assessment of the criteria together with the results of our 'reality check', our conclusion is that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, and we intend to issue an unqualified Value for Money conclusion as set out in Appendix B.

Appendix A – Draft management representation letter

Selby District Council

29 September 2015

Dear Mr Waddell

Selby District Council - audit for year ended 31 March 2015

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 2015 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:
    - management and those charged with governance;
    - employees who have significant roles in internal control; and
    - 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

There are no unadjusted misstatements and all misstatements identified in the course of the audit have been amended in the final version of the financial statements submitted to Members for approval.

Yours faithfully

Karen Iveson
Executive Director s151 Officer

Appendix B – 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 2015 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, 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 2014/15.

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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Executive Director (s151) and auditor

As explained more fully in the Statement of the 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 2015 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 2014/15.

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, 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 2015.

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, 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 2015.

Certificate

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

Cameron Waddell

For and on behalf of Mazars LLP
The Rivergreen Centre
Aykley Heads
Durham, DH1 5TS

29 September 2015

BACK TO AGENDA

Appendix C – Independence

As part of our ongoing 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.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

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SELBY DISTRICT COUNCIL

Public Session

Report Reference Number: A/15/10 **Agenda Item No: 9**

To:	**Audit and Governance Committee**
Date:	**29 September 2015**
Author:	**Jonathan Dodsworth, Counter Fraud Manager, Veritau Ltd**
Lead Officer:	**Karen Iveson; Executive Director (s151 Officer)**

Title: Counter Fraud Annual Review

Summary:

The purpose of the report is to update the committee on new guidance on countering fraud and corruption and counter fraud activity within the Council.

Recommendation:

It is recommended that the committee note the recent counter fraud publications set out in the appendices and the investigation activity set out in section 3.

Reasons for recommendation

To provide assurance to the committee that the Council adopts a robust approach to countering the risk of fraud and that it continues to develop its arrangements in accordance with good practice guidelines.

1 Introduction and background

1.1 Fraud is a significant issue for all public sector organisations. Current estimates suggest fraud costs local government more than £2.1bn and that this is probably underestimated. It is therefore essential that the Council has arrangements in place to deter and prevent fraud and reduce losses. On an annual basis the Council reviews its counter fraud arrangements against good practice and reports the results of that review to this Committee.

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2 Recent guidance and developments

2.1 In July 2014, CIPFA established a new ‘centre of excellence’ to combat fraud. The new centre is headed by Rachel Tiffen, who was previously deputy director of the now disbanded National Fraud Authority. The centre will work closely with the Department for Communities and Local Government (DCLG), the Cabinet Office, the National Crime Agency (NCA) and other agencies to develop policies, tools and guidance to help public sector organisations to identify and address fraud. One of its first outputs has been a Code of Practice on managing the risks of fraud and corruption. The Code highlights five key principles which public sector organisations should consider.

- <u>Acknowledge responsibility</u>

  Corporate leaders should acknowledge their responsibility for ensuring that the risks associated with fraud and corruption are managed effectively across all parts of the organisation;

- <u>Identify risks</u>

  Fraud risks should be identified in order to understand specific exposures to risk, changing patterns in fraud and corruption threats and the potential consequences to the organisation and its service users;

- <u>Develop a strategy</u>

  Each organisation should adopt a counter fraud strategy setting out its approach to managing its risks and defining responsibilities for action;

- <u>Provide resources</u>

  Each organisation should make available appropriate resources to support the counter fraud strategy;

- <u>Take action</u>

  Each organisation should put in place the policies and procedures to support the counter fraud and corruption strategy and take action to prevent, detect and investigate fraud.

A copy of the code of practice is included at appendix A.

2.2 A review of counter fraud arrangements, assessing Selby’s existing arrangements against this Code of Practice, is part of the agreed audit plan for 2015/16 and is currently on-going. The results of this will be reported along with the next internal audit update.

BACK TO AGENDA

2.3 CIPFA was due to launch a new fraud self-assessment tool this summer. The self-assessment tool is intended to help local authorities evaluate the adequacy and effectiveness of their counter fraud arrangements. The intention was to use this tool in the current audit and to help inform this annual report. Unfortunately, the launch date has been delayed.

2.4 Responsibility for the annual 'Protecting the Public Purse' publication has now transferred to CIPFA who are expected to produce this report in autumn 2015/16. The most recent report is included at appendix B.

2.5 Responsibility for Housing Benefit fraud investigation is due to transfer to the Department for Work and Pensions (DWP) in March 2016. Members of staff at the Council are in scope to transfer to the DWP's Single Fraud Investigation Service at the same time. The Council therefore faces the prospect of losing experienced officers to the DWP. Once this work transfers there will be a reduction in the benefits administration grant from the DWP. Responsibility to investigate fraudulent Council Tax Support claims will remain with the Council.

2.6 The Council in partnership with North Yorkshire County Council, City of York Council, Ryedale District Council, Richmondshire District Council and Hambleton District Council, has recently successfully bid for additional government funding to combat fraud. The funding has been made available by the Department for Communities and Local Government (DCLG) and is intended to improve capacity in this area. The total allocation is £170k to fund the investigation of non-benefit fraud over the next two years. The additional money will be used to investigate council tax/NNDR and procurement related fraud across the partner councils. Data matching across all the partner councils will be used to identify potential fraud cases requiring further investigation.

3 Investigation activity

3.1 Fraud investigation work is undertaken by either Veritau (for example in relation to internal fraud) as the Council's internal auditor, or by the Council's Enforcement Team (for example council tax and housing benefit fraud).

3.2 The Enforcement team received 440 fraud referrals and opened 243 fraud investigations in 2014/15. So far in 2015/16, 114 referrals have been received and 99 of these opened for investigation.

3.3 In 2014/15 these investigations resulted in 12 formal cautions, 5 local written cautions, 1 administrative penalty and 10 successful prosecutions. The total value of overpaid benefits identified and being recovered from claimants was £92K in 2014/15 (£88K in 2013/14).

3.4 No internal fraud was reported to Veritau for investigation during 2014/15 or to date in 2015/16.

3.5 As a result of the DCLG funding, Veritau have provided fraud awareness to the Council Tax department and are currently investigating 14 cases of potentially false council tax exemptions.

4 Review of arrangements

4.1 An audit of counter fraud arrangements against the new CIPFA Code of Practice is currently underway and is due for completion in September 2015. The findings of this audit will be reported along with the next internal audit update.

5 Legal/Financial Controls and other Policy matters

5.1 Legal issues

5.1.1 There are no legal issues.

5.2 Financial Issues

5.2.1 There are no financial issues.

6 Conclusion

6.1 The Council needs to consider how best to deal with the upcoming changes to housing benefit investigation and whether there will be a skills shortage should members of staff transfer.

6.2 The on-going audit will identify areas for further consideration and actions will be agreed with management.

7 Background Documents/Contacts

Contact Officer: *Jonathan Dodsworth; Counter Fraud Manager; Veritau*
Jonathan.Dodsworth@veritau.co.uk

Richard Smith; Deputy Head of Internal Audit; Veritau
Richard.Smith@veritau.co.uk

Appendices:

Appendix A: Code of Practice on Managing the Risk of Fraud and Corruption 2014

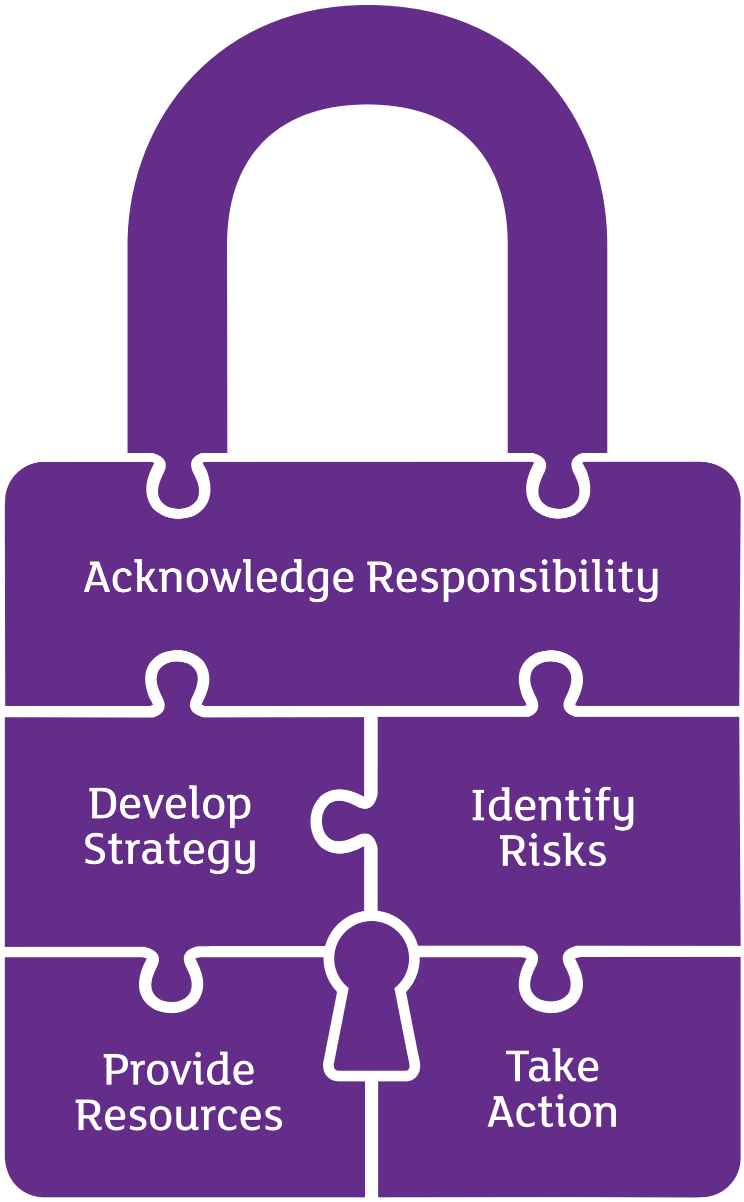
Appendix B: Protecting the Public Purse 2014

CIPFA The Chartered Institute of Public Finance & Accountancy

BACK TO AGENDA

Code of practice on

managing the risk of fraud and corruption



CIPFA COUNTER FRAUD CENTRE

Code of practice on managing the risk of fraud and corruption

Published by:

CIPFA \ The Chartered Institute of Public Finance and Accountancy

3 Robert Street, London WC2N 6RL

020 7543 5600 \ www.cipfa.org

From 1 January 2015, CIPFA will be at 77 Mansell St, London E1 8AN. There will be no change to CIPFA phone numbers, email and web addresses.

BACK TO AGENDA

Code of practice principles

Leaders of public services organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management.

The five key principles of the code are to:

- acknowledge the responsibility of the governing body for countering fraud and corruption
- identify the fraud and corruption risks
- develop an appropriate counter fraud and corruption strategy
- provide resources to implement the strategy
- take action in response to fraud and corruption.

A Acknowledge responsibility

The governing body should acknowledge its responsibility for ensuring that the risks associated with fraud and corruption are managed effectively across all parts of the organisation.

Specific steps should include:

A1 The organisation's leadership team acknowledge the threats of fraud and corruption and the harm they can cause to the organisation, its aims and objectives and to its service users.

A2 The organisation's leadership team acknowledge the importance of a culture that is resilient to the threats of fraud and corruption and aligns to the principles of good governance.

A3 The governing body acknowledges its responsibility for ensuring the management of its fraud and corruption risks and will be accountable for the actions it takes through its governance reports.

A4 The governing body sets a specific goal of ensuring and maintaining its resilience to fraud and corruption and explores opportunities for financial savings from enhanced fraud detection and prevention.

B Identify risks

Fraud risk identification is essential to understand specific exposures to risk, changing patterns in fraud and corruption threats and the potential consequences to the organisation and its service users.

Specific steps should include:

B1 Fraud risks are routinely considered as part of the organisation's risk management arrangements.

B2 The organisation identifies the risks of corruption and the importance of behaving with integrity in its governance framework.

B3 The organisation uses published estimates of fraud loss, and where appropriate its own measurement exercises, to aid its evaluation of fraud risk exposures.

B4 The organisation evaluates the harm to its aims and objectives and service users that different fraud risks can cause.

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C Develop a strategy

An organisation needs a counter fraud strategy setting out its approach to managing its risks and defining responsibilities for action.

Specific steps should include:

C1 The governing body formally adopts a counter fraud and corruption strategy to address the identified risks and align with the organisation's acknowledged responsibilities and goals.

C2 The strategy includes the organisation's use of joint working or partnership approaches to managing its risks, where appropriate.

C3 The strategy includes both proactive and responsive approaches that are best suited to the organisation's fraud and corruption risks. Proactive and responsive components of a good practice response to fraud risk management are set out below.

Proactive

- Developing a counter-fraud culture to increase resilience to fraud.
- Preventing fraud through the implementation of appropriate and robust internal controls and security measures.
- Using techniques such as data matching to validate data.
- Deterring fraud attempts by publicising the organisation's anti-fraud and corruption stance and the actions it takes against fraudsters.

Responsive

- Detecting fraud through data and intelligence analysis.
- Implementing effective whistleblowing arrangements.
- Investigating fraud referrals.
- Applying sanctions, including internal disciplinary, regulatory and criminal.
- Seeking redress, including the recovery of assets and money where possible.

C4 The strategy includes clear identification of responsibility and accountability for delivery of the strategy and for providing oversight.

D Provide resources

The organisation should make arrangements for appropriate resources to support the counter fraud strategy.

Specific steps should include:

D1 An annual assessment of whether the level of resource invested to counter fraud and corruption is proportionate for the level of risk.

D2 The organisation utilises an appropriate mix of experienced and skilled staff, including access to counter fraud staff with professional accreditation.

D3 The organisation grants counter fraud staff unhindered access to its employees, information and other resources as required for investigation purposes.

D4 The organisation has protocols in place to facilitate joint working and data and intelligence sharing to support counter fraud activity.

E Take action

The organisation should put in place the policies and procedures to support the counter fraud and corruption strategy and take action to prevent, detect and investigate fraud.

Specific steps should include:

E1 The organisation has put in place a policy framework which supports the implementation of the counter fraud strategy. As a minimum the framework includes:

- Counter fraud policy
- Whistleblowing policy
- Anti-money laundering policy
- Anti-bribery policy
- Anti-corruption policy
- Gifts and hospitality policy and register
- Pecuniary interest and conflicts of interest policies and register
- Codes of conduct and ethics
- Information security policy
- Cyber security policy.

E2 Plans and operations are aligned to the strategy and contribute to the achievement of the organisation's overall goal of maintaining resilience to fraud and corruption.

E3 Making effective use of national or sectoral initiatives to detect fraud or prevent fraud, such as data matching or intelligence sharing.

E4 Providing for independent assurance over fraud risk management, strategy and activities.

E5 There is a report to the governing body at least annually on performance against the counter fraud strategy and the effectiveness of the strategy from the lead person(s) designated in the strategy. Conclusions are featured in the annual governance report.

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Applying the code in practice

Where organisations are making a statement in an annual governance report about their adherence to this code, one of the following statements should be approved according to whether the organisation conforms with the code or needs to take further action. The statement should be approved by the governing body and signed by the person responsible for signing the annual governance report[1].

Statement 1

Having considered all the principles, I am satisfied that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

Or

Statement 2

Having considered all the principles, I am satisfied that, subject to the actions identified below, the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

Actions to be taken to manage the risk of fraud:

Action:	Responsibility:	Target date:

1 Guidance notes on the implementation of the code to support evaluation are available at www.cipfa.org.

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Glossary

As the code can apply to a wide range of organisations generic terms are used to describe governance and leadership responsibilities.

Governing body:

The person(s) or group with primary responsibility for overseeing the strategic direction, operations and accountability of the organisation. Examples include, the Board, Council.

The organisation's leadership team:

Leadership team: comprises the governing body and management team.

Examples or relevant roles include, cabinet members, chair of board, accounting officer, chief executive, executive directors, vice-chancellor, principal, headteacher.

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INVESTORS IN PEOPLE

POSITIVE ABOUT DISABLED PEOPLE

10/2014

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Protecting the public purse 2014

Fighting fraud against local government

October 2014

audit commission

The Audit Commission's role is to protect the public purse.

We do this by appointing auditors to a range of local public bodies in England. We set the standards we expect auditors to meet and oversee their work. Our aim is to secure high-quality audits at the best price possible.

We use information from auditors and published data to provide authoritative, evidence-based analysis. This helps local public services to learn from one another and manage the financial challenges they face.

We also compare data across the public sector to identify where services could be open to abuse and help organisations fight fraud.

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Contents

Summary and recommendations

This is the last report in the *Protecting the public purse* (*PPP*) series from the Audit Commission before we close in March 2015. It draws on the learning from the Commission's 25-year experience in counter-fraud in local government.

- The Commission published *PPP* reports from 1991 to 2000 and again from 2009 to 2014. *PPP* reports have:
  - raised awareness of the importance of fighting fraud;
  - promoted transparency and accountability about counter-fraud in local government bodies;
  - improved data on fraud detection, including benchmarking; and
  - promoted good practice in fighting fraud.

The scale of fraud against local government is large, but difficult to quantify with precision.

- In 2013, the National Fraud Authority estimated that fraud cost local government £2.1 billion, but this is probably an underestimate.
- Each pound lost to fraud reduces the ability of local authorities to provide public services.
- The more councils look for fraud, and follow good practice, the more they will find. Increasing levels of detection may be a positive sign that councils take fraud seriously rather than a sign of weakening of controls.

In total, local government bodies detected fewer cases of fraud in 2013/14 compared with the previous year, continuing the decline noted in *PPP 2013*. However, their value increased by 6 per cent.

- The number of detected cases fell by 3 per cent to just over 104,000, while their value increased by 6 per cent to over £188 million.
- The number of detected cases of **housing benefit and council tax benefit fraud** fell by 1 per cent to nearly 47,000, while their value rose by 7 per cent to nearly £129 million.
- The number of detected cases of **non-benefit** fraud fell by 4 per cent to just over 57,400, while their value rose by 2 per cent to £59 million.

In the past 5 years, councils have shifted their focus from benefit fraud to non-benefit fraud. From 2016, they will no longer deal with benefit fraud.

- Between 1991 and 2000, nearly all fraud detected by councils was for housing benefit and later council tax benefit. During this time, councils had financial incentives to look for those frauds.
- These incentives ended in 2006, and councils have increasingly focused on non-benefit fraud in the past five years. Benefit frauds still comprise 45 per cent of all cases of detected fraud, and 69 per cent of their value.
- By 2016, all benefit fraud investigation will have transferred from councils to the Single Fraud Investigation Service (SFIS), run by the Department for Work and Pensions. The government's funding of £16 million from 2014, awarded under competitive bidding, to help councils refocus their efforts on non-benefit fraud during the transition will end at the same time.

Councils will need to focus on the non-benefit frauds that present the highest risk of losses, including those that arise from the unintended consequences of national policies.

- Between 2009/10 and 2013/14, councils consistently detected more **council tax discount fraud** than any other type of non-benefit fraud. In the most recent year, nearly 50,000 cases were found, worth £16.9 million.
- Detected **Right to Buy** fraud cases have increased nearly five-fold since 2009/10 to 193 per year. In 2013/14 these were worth £12.3 million. The rise in the number of these frauds followed large increases in the discount threshold over this period.
- The number of detected cases of **social care** fraud has more than trebled since 2009/10 to 438. In 2013/14, they were worth £6.2 million.
- Detected cases of **insurance** fraud rose from 72 in 2009/10 to 226 in 2013/14 and were worth £4.8 million.

Overall, councils are detecting more non-benefit frauds, but detection rates for some types of frauds have fallen.

- In 2010/11, councils detected 319 cases of **business rates** fraud worth £5.7 million. In 2013/14, they detected 84 cases worth £1.2 million.
- In 2010/11, councils detected 145 cases of **procurement** fraud worth nearly £14.6 million. In 2013/14, they detected 127 cases worth less than £4.5 million.

- A small minority of 39 councils **failed to detect any non-benefit frauds** in 2013/14. This number is down by more than half since 2012/13, which is encouraging. Our experience suggests it is extremely unlikely that no non-benefit fraud occurred at these councils.
- Councils believe that organised criminals present a low risk of fraud, but there is concern that organised crime is more prevalent in procurement fraud.

Councils are detecting more housing tenancy fraud

- The number of social homes recovered from tenancy fraudsters increased by 15 per cent in the last year to 3,030.
- In 2013/14, councils outside London recovered more than two in five (40 per cent) of these homes. This represents a marked improvement in their performance. In 2009, when the Audit Commission's *PPP* reports first highlighted this issue, councils outside London accounted for less than 5 per cent of all social homes recovered.
- These figures do not include fraud against housing associations, which provide the majority of social homes.

. . . and more fraud in schools.

- Detected cases of fraud in maintained schools have risen by 6 per cent to 206, worth £2.3 million. We have no data on fraud in non-maintained schools.
- Most of these frauds were committed by staff, suggesting that some schools may have weak governance arrangements that mean they are more vulnerable to fraud.

Local government bodies have a duty to protect the public purse. A corporate approach to tackling fraud helps them to be effective stewards of scarce public resources and involves a number of core components.

- **Prevention and deterrence**: it is not currently possible to quantify accurately the financial benefit from deterring fraud, but professionals in the field believe the prospect of detection is the most powerful deterrent. Councils should widely publicise what fraud is, the likelihood of detection, and the penalties fraudsters face.
- **Investigation and detection**: between 2009/10 and 2013/14, the mean average number of full time equivalent (FTE) fraud investigators employed by councils declined steadily from 5.2 to 4.7, a fall of 10 per cent over the period. Our analysis suggests that a fall in FTE numbers is associated with lower fraud detection levels (see Chapter 4).

- **Recovery and redress**: after 2016, when central government no longer contributes funds for counter-fraud activity, councils will need to recover more losses than they have in the past. They can use legislation such as the Proceeds of Crime Act to do so.
- **Openness and transparency**: councils should look for fraud and record how many frauds they detect. Doing so would show leadership, allow them to compare their performance with other organisations, and alert them to emerging fraud risks more effectively.
- In 2013, only three in five (62 per cent) councils took up the offer of receiving one of the Commission's new **fraud briefings**, which contain comparative information on their detection levels.

From April 2015, the Commission's counter-fraud activities will transfer to new organisations.

- When the Commission closes, the National Fraud Initiative's (NFI) data matching service will transfer to the Cabinet Office.
- The remainder of our counter-fraud staff and functions, including the *PPP* series and fraud briefings, will transfer to the Counter Fraud Centre, run by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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Recommendations

All local government bodies should:

a) use our checklist for councillors and others responsible for audit and governance (Appendix 2) to review their counter-fraud arrangements (Para. 120);

b) adopt a corporate approach to fighting fraud, to ensure they fulfil their stewardship role and protect the public purse from fraud (Para. 78);

c) actively pursue potential frauds identified through their participation in the National Fraud Initiative (NFI) (Para. 6);

d) assess themselves against the framework in CIPFA's new Code of Practice on Managing the Risk of Fraud and Corruption (Para. 115); and

e) engage fully with the new CIPFA Counter Fraud Centre (Para. 132).

Councils in particular should:

f) protect and enhance their investigative resources, so that they maintain or improve their capacity to detect fraud (Para. 100);

g) be alert to the risk of organised crime, notably in procurement (Para. 31);

h) be alert to the risks of fraud, particularly in growing risk areas such as Right to Buy (Para. 51) and social care (Para. 54);

i) apply the lessons from the approach encouraged by *PPP* to tackle housing tenancy fraud, to other types of fraud (Para. 57);

j) focus on prevention and deterrence as a cost-effective means of reducing fraud losses to protect public resources (Para. 80);

k) focus more on recovering losses from fraud, using legislation such as the Proceeds of Crime Act (Para.114); and

l) take up the Commission's offer of receiving a fraud briefing to help them benchmark their performance and promote greater transparency and accountability (Para. 129).

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The government should consider:

m) mandating local government bodies to complete the annual survey of detected fraud and corruption, to ensure it remains a comprehensive and robust source of data on fraud in the local public sector (Para. 125);

n) extending the requirement to report information on detected cases of fraud to academies and free schools (Para. 48);

o) commissioning research into the extent of the annual loss to local authority fraud and the costs and benefits of fraud prevention activities (Para. 83);

p) encouraging CIPFA to use the detected fraud and corruption survey in the future to investigate the extent to which fraudsters use digital and on-line technology to defraud local government (Para. 85);

q) extending powers for councils to investigate all frauds, to protect the public purse (Para. 91); and

r) working with councils to anticipate and mitigate any unintended risks of fraud created by new policies (Para. 42).

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Chapter 1: Introduction

This is the last report in the *Protecting the public purse* (*PPP*) series from the Audit Commission before it closes at the end of March 2015.

1 The first series of *PPP* reports ran from 1991 to 2000. After a gap of nine years, we relaunched the series following requests from local government bodies. Since then, we have reported figures on fraud detected by those organisations each year.

2 As in earlier reports, *PPP 2014* describes year-on-year changes in cases and values of detected fraud, based on the Commission's annual survey of local government bodies. As it is the last report in this series, it also describes trends in the past five years, and draws on the learning from the Commission's 25-year experience in counter-fraud in local government.

3 *PPP 2014* aims to inform the development of effective counter-fraud in local government after the Commission closes. It is designed for those responsible for governance in local government, particularly councillors, and describes:

- the amount of detected fraud reported by local government bodies[i] in 2013/14, compared with 2012/13 (Chapter 2);
- longer term trends (up to 25 years) in levels of detected fraud, and the lessons local government bodies can draw from this information (Chapter 3);
- the effective stewardship of the public purse, including taking measures to recover losses from fraud (Chapter 4); and
- measures to build on *PPP's* legacy, so that local government bodies can continue to protect the public purse (Chapter 5).

i For the purposes of this survey we define fraud as an intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss. We include cases where management authorised action has been taken including, but not limited to, disciplinary action, civil action or criminal prosecution.

4 Appendices to this report contain:

- data tables of detected frauds and losses by region (Appendix 1);
- an updated counter-fraud checklist for those responsible for governance (Appendix 2); and
- case studies highlighting use of legislation, in particular the Proceeds of Crime Act, to recover monies from fraudsters (Appendix 3).

5 Each *PPP* report has identified the scale of detected fraud and the damage it causes[i].

The scale and impact of fraud

- Local government fraud involves substantial loss to the public purse. The most recent estimate of the annual loss to local government was £2.1 billion, excluding benefit fraud (Ref.1).
- This almost certainly underestimates the true cost of fraud. For example, it does not include fraud in major services such as education and social care.
- Each pound lost to fraud represents a loss to the public purse and reduces the ability of local government bodies to provide services to people who need them. Fraud is never a victimless crime.

Source: Audit Commission

The changing counter-fraud landscape

6 When the Commission closes, its National Fraud Initiative (NFI) data matching service will transfer to the Cabinet Office. The remaining counter-fraud functions of the Commission will transfer to the new Counter Fraud Centre, launched in July 2014 by the Chartered Institute of Public Finance and Accountancy (CIPFA).

7 The CIPFA Counter Fraud Centre will also publish the next *Fighting Fraud Locally* strategy for local government, following the closure of the National Fraud Authority (NFA) in March 2014. However, there are no arrangements to continue the NFA's *Annual Fraud Indicator,* in particular, which is the annual estimate of the level of fraud committed against local authorities.

i Audit Commission reports can be obtained through this link: http://www.audit-commission.gov.uk/information-and-analysis/national-studies/

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8 Other changes include the creation of the National Crime Agency, established in 2014, which has taken over some of the activities previously carried out by the Serious and Organised Crime Agency (SOCA).

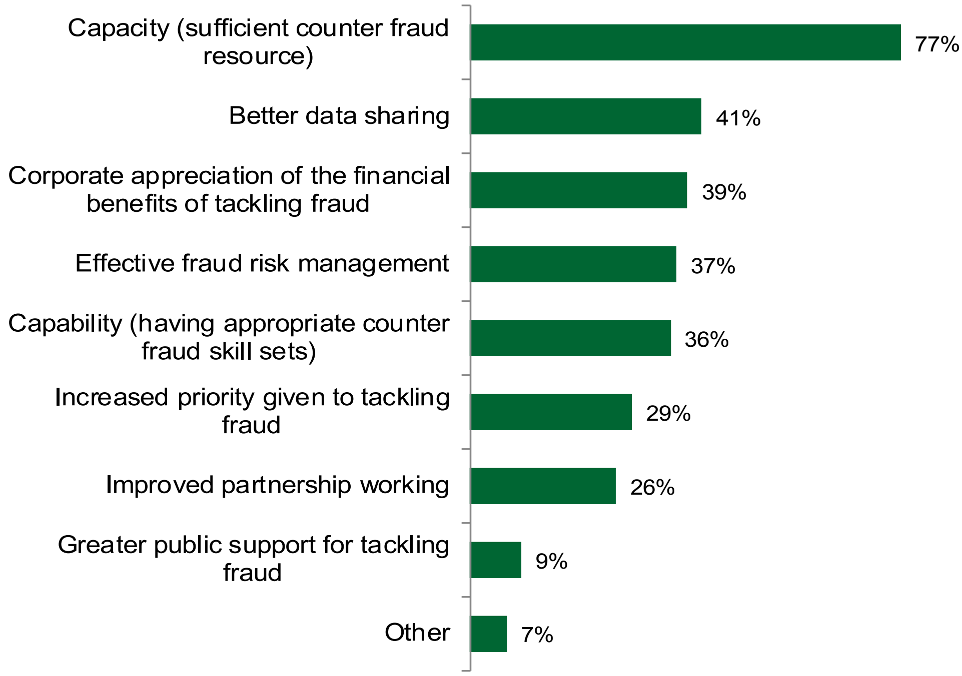
9 For councils, the most important change in their counter-fraud arrangements is the transfer of most of their benefit fraud investigators to the Single Fraud Investigation Service (SFIS), which is managed by the Department for Work and Pensions (DWP). The transition to the SFIS began in July 2014 and will be complete by March 2016.

10 The Department for Communities and Local Government (DCLG) has awarded £16 million through a challenge fund for two years from 2014. Councils whose bids were successful will receive a share of this fund to support their efforts to refocus their counter-fraud activities on non-benefit fraud during the implementation of the SFIS. Similar funding may not be available to councils in the future.

The main issues councils face in tackling fraud

11 Because of these changes, the 2014 survey asked councils to identify the top three issues they face in tackling fraud. Councils report that the single most important issue is the need to ensure they have enough counter-fraud capacity (Figure 1).

Figure 1: **Main issues faced by councils in tackling fraud**



Source: Audit Commission (2014)

Top 3 issues for councils: capacity, data-sharing and corporate recognition of the financial benefits of tackling fraud

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12 In the survey, councils identified other concerns that indicate a need for a more effective corporate approach to fighting fraud. These include:

- collecting and using data effectively;
- understanding the importance of the financial benefits of fighting fraud;
- the need for effective risk management;
- improving counter-fraud staff skills; and
- partnership working.

13 *PPP 2014* addresses all these issues. Chapter 2 sets out the scale of the fraud they relate to, and how this has changed since 2012/13.

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Chapter 2: The latest figures on detected fraud in councils

Local government bodies detected fewer cases of fraud in 2013/14 compared with the previous year, continuing the decline noted in *PPP 2013*. However, the value of losses from detected fraud increased.

14 Each *PPP* report draws on data collected by the Commission's annual survey of detected fraud in local government bodies. *PPP 2014* uses data from the 2014 survey, which covered the 2013/14 financial year.

15 The latest survey achieved a 100 per cent response rate, with responses from 494 local government bodies[i]. These results:

- map the volume and value of different types of detected fraud;
- provide information about emerging and changing fraud risks; and
- help to identify good practice in tackling fraud.

100% of local government bodies surveyed for PPP 2014 responded

16 Local government bodies detected fewer frauds in 2013/14 (just over 104,000) compared to the previous year (just under 107,000) (Table 1). The value of fraud detected in 2013/14 increased over the previous year, rising from £178 million to £188 million.

£188 million, of local government fraud detected in 2013/14, the highest value on record

i All English principal councils, local authorities for parks, waste, transport, fire and rescue, and Police and Crime Commissioners are required to complete the survey.

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Table 1: **Cases and value of detected fraud, excluding tenancy fraud[i] - Change between 2012/13 and 2013/14**

Type of fraud	For detected fraud in 2013/14 (excludes tenancy fraud)	For detected fraud in 2012/13 (excludes tenancy fraud)	Change in detected fraud 2012/13 to 2013/14 (%)
Total fraud			
Total value	£188,249,422	£177,966,950	+6
Number of detected cases	104,132	106,898	-3
Average value per case	£1,808	£1,665	+9
Housing and council tax benefit[ii]			
Total value	£128,973,530	£120,100,854	+7
Number of detected cases	46,690	46,964	-1
Average value per case	£2,762	£2,557	+8
Council tax discounts			
Total value	£16,895,230	£19,567,665	-14
Number of detected cases	49,428	54,094	-9
Average value per case	£342	£362	-6
Other frauds			
Total value	£42,380,662	£38,298,431	+11
Number of detected cases	8,014	5,840	+37
Average value per case	£5,288	£6,558	-19

Source: Audit Commission

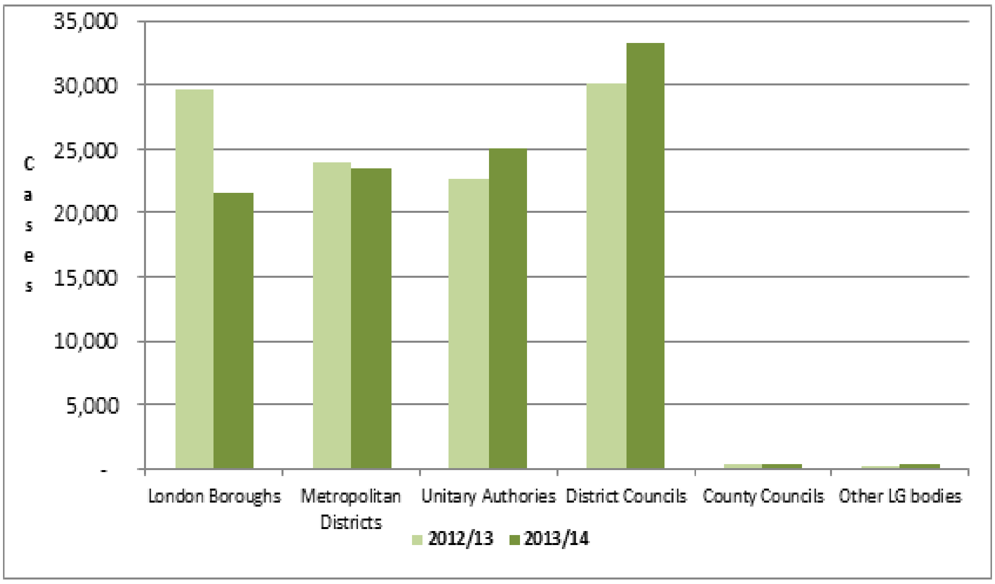
i We report housing tenancy fraud in Table 3.

ii In April 2013, the government introduced Council Tax Reduction, to replace Council Tax Benefit (CTB). Council Tax Reduction is not a benefit, but to aid year-on-year comparisons, it is included in housing benefit and council tax benefit fraud figures for 2013/14.

17 The 3 per cent reduction in the total number of cases of detected fraud over the previous year was not uniform across councils. It is largely due to falls in London boroughs and metropolitan districts. Unitary authorities and district councils detected more fraud in 2013/14 than the previous year (Figure 2).

Figure 2: **Detected fraud cases**

Comparison by local government organisation 2012/13 and 2013/14



Source: Audit Commission (2014)

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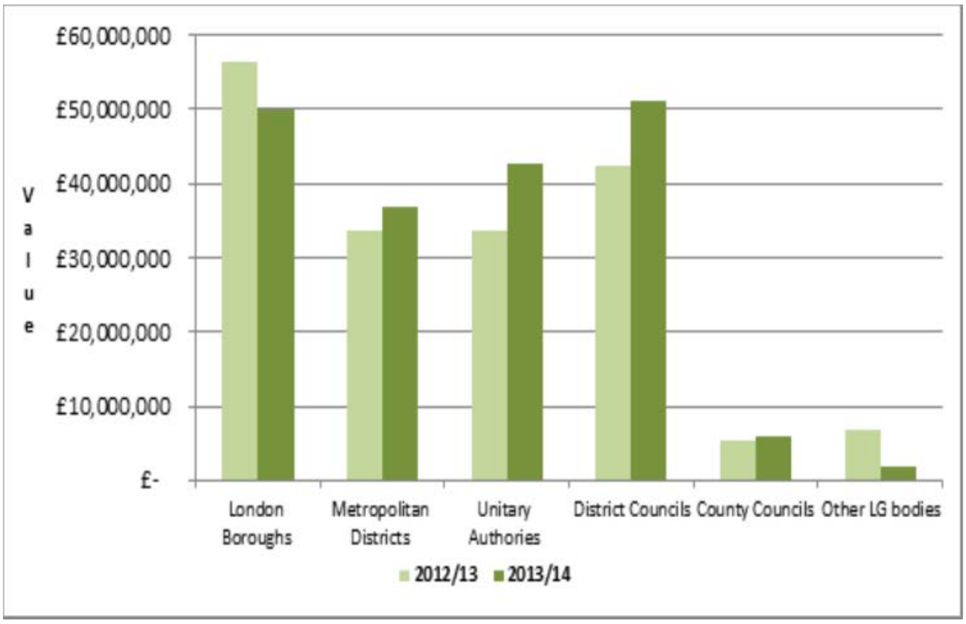
18 A similar picture emerges for changes in the value of detected frauds. This has increased by 6 per cent overall, from £178 million to £188 million, but varies across council types (Figure 3).

Figure 3: **Detected fraud by value**

Comparison by local government organisation in 2012/13 and 2013/14



Source: Audit Commission (2014)

19 The value of detected fraud rose in metropolitan district councils, unitary authorities, district councils and county councils compared with the previous year. It fell in London boroughs by 11 per cent.

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Benefit fraud

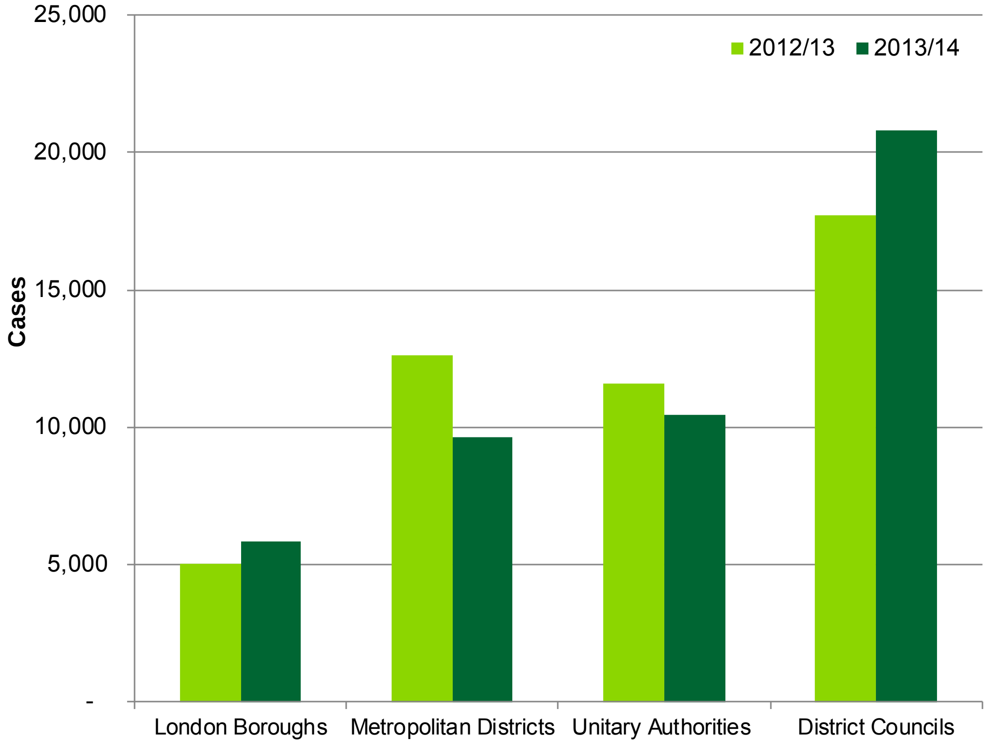
20 In 2013/14, housing benefit and council tax benefit frauds comprised 45 per cent of all fraud cases, but accounted for 69 per cent of the value of all detected frauds.

21 In 2013/14, district councils detected 20,798 benefit fraud cases; an increase of 17 per cent compared to the previous year (Figure 4). They detected not just the highest total overall compared with other councils, but also the highest as a proportion of their benefit caseloads (1.6 per cent). In contrast, London boroughs recorded both the lowest overall number of detected cases of benefit fraud (despite a rise of 16 per cent over the previous year) and the lowest as a proportion of their caseload, at 0.7 per cent.

17% rise in the number of cases of benefit fraud detected by district councils

Figure 4: **Detected benefit fraud cases**

Comparison of council types in 2012/13 and 2013/14



Source: Audit Commission (2014)

22 Both metropolitan district councils and unitary authorities reported substantially fewer cases of benefit fraud than the previous year; down 24 per cent and 10 per cent respectively. Each detected around the same proportion of their overall caseload, at 0.9 per cent and 1.0 per cent respectively.

Non-benefit fraud

23 Table 2 highlights the largest frauds in the 'other' group in Table 1, which between them account for £36.5 million of the £188.2 million detected by councils in 2013/14.

Table 2: **Other frauds against councils in 2012/13 and 2013/14**

Fraud type	Number of cases 2013/14	Value 2013/14 (£ million)	Number of cases 2012/13	Value 2012/13 (£ million)	Change in case number 2012/13 to 2013/14 (%)	Change in case value 2012/13 to 2013/14 (%)
Right to Buy	193	12.4	102	5.9	+89	+110
Social care	438	6.3	200	4.0	+119	+58
Insurance	226	4.8	74	3.0	+205	+60
Procurement	127	4.4	203	1.9	-37	+132
Abuse of position	341	4.0	283	4.5	+20	-11
Disabled parking concessions (Blue Badge)	4,055	2.0	2,901	1.5	+40	+33
Business rates	84	1.2	149	7.2	-44	-83
Payroll	432	1.4	319	2.4	+35	-42

Source: Audit Commission (2014)

24 Care is needed in interpreting these results, as annual percentage changes in value can be affected by a few very costly frauds in either year. For example, the value of business rates fraud fell by 83 per cent, largely because there was an unusually high value (£5 million) single fraud in one council in 2012/13. Procurement fraud is another example of a few costly frauds; cases have fallen by over a third (37 per cent), but their value has more than doubled (132 per cent).

25 Taken together, the number of cases of non-benefit fraud in Table 2 has risen by 39 per cent between the two years, while their overall value has risen by 20 per cent.

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26 In 2013/14, the largest non-benefit frauds by value were for:

- Right to Buy – this fraud has seen a marked increase in cases (up 89 per cent) and a more than doubling in value to £12.4 million (up 110 per cent);
- social care – cases have more than doubled to 438 (up 119 per cent) and their value has increased by more than half (58 per cent) to £6.3 million;
- insurance[i] – cases have more than tripled (up 205 per cent) and their value has risen by more than half (60 per cent) to £4.8 million; and
- disabled parking (also known as 'Blue Badge' fraud) – as in 2012/13, this produces the largest number of "other" cases, and in 2013/14, cases increased by 40 per cent to 4,055 with a value of £2 million.

205%

increase in the number of cases of insurance fraud for 2013/14 worth £4.8 million

i This fraud arises most commonly from members of the public who make false claims for compensation for accidents (known as 'trips and slips').

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Housing tenancy fraud

27 The number of social homes recovered from tenancy fraudsters increased by 15 per cent in the last year (Table 3).

Table 3: **Detected tenancy fraud by region**

2012/13 to 2013/14

Region	Number of properties in housing stock (% of national housing stock)	Number of properties recovered in 2013/14	Number of properties recovered in 2012/13	Percentage change in the number of properties recovered 2012/13 to 2013/14
London	419,238 (25)	1,807	1,535	+18
West Midlands	208,740 (12)	425	416	+2
South East	174,313 (10)	129	132	-2
East of England	159,216 (9)	187	133	+41
East Midlands	182,950 (11)	136	102	+33
Yorkshire & the Humber	234,335 (14)	140	108	+30
South West	100,867 (6)	111	56	+98
North East	112,444 (7)	59	34	+74
North West	109,045 (6)	36	126	-71
Total	1,701,148 (100)	3,030	2,642	+15

Source: Audit Commission (2014)

28 All but two regions detected more tenancy frauds in 2013/14 than in the previous year. The exceptions were the North West, where councils detected 71 per cent fewer cases, and the South East, where councils detected slightly fewer cases (down 2 per cent).

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Organised and opportunistic fraud

29 The 2013/14 survey asked councils to indicate the extent to which they believed fraud was due to organised criminal activity, rather than to individuals acting alone. The survey used the National Crime Agency definition of organised crime as ‘crime planned, coordinated and conducted by people working together on a continuing basis. Their motivation is often, but not always, financial gain’ (Ref. 2).

30 Only 32 of 353 councils reported frauds they believed were linked to organised crime. They were most likely to detect the involvement of organised crime in housing benefit (11 councils), which probably reflects the greater number of detected frauds in this category.

31 These results suggest that organised criminals do not commit much fraud against councils. Most local authority fraud investigators believe that opportunistic fraudsters pose the greatest risk. However, there is growing concern about organised criminals tendering for public service contracts, for example, to launder money (Ref. 3, p 55). Councils should be alert to the risk of organised crime and ensure their defences remain appropriate for the task.

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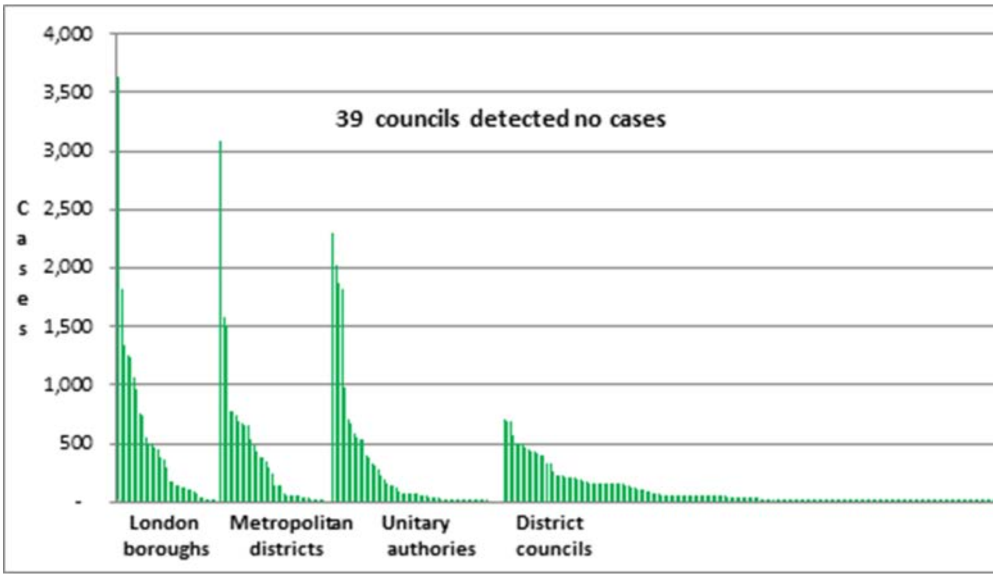
Failing to detect fraud

32 In *PPP 2013* (Ref. 4), we reported that 79 district councils had not detected a single non-benefit fraud, compared with only 9 councils among London boroughs, metropolitan districts and unitary authorities combined. In 2013/14, the equivalent figures were 35 district councils 3 unitary authorities and 1 metropolitan district (Figure 5)[i].

Figure 5: **Number of detected non-benefit cases by council type (excluding county councils) in 2013/14**



Source: Audit Commission (2014)

33 While it is encouraging that the number of councils that did not detect any non-benefit fraud has fallen by half, it remains disappointing that 39 councils failed to detect any non-benefit fraud. 21 district councils and one unitary authority reported no detected non-benefit frauds in both years. Our experience suggests it is extremely unlikely that no non-benefit fraud was committed against them.

39 councils did not report any detected cases of non-benefit fraud in 2013/14, less than half the number of the previous year

34 Year-on-year trends help local government bodies manage current fraud risks. Longer term trends better enable them to understand whether they are matching their resources to risks effectively. Chapter 3 covers fraud detection over the medium to long terms.

i Figure 5 excludes county councils as they do not provide high-volume services such as council tax.

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Chapter 3: Longer term trends in frauds detected by councils

Trends in detected fraud since 1991 show how councils have changed the way they tackle fraud in response to changing national policies and incentives. This chapter draws on the learning from the Commission's 25 years' experience in counter-fraud.

35 This chapter considers trends in detected fraud over the last 25 years, with more detailed information about the last five years from 2009/10 to 2013/14. It also highlights how the Commission's approach to tackling tenancy fraud could be applied in other areas, where risks are growing.

The shift in focus from benefit fraud to non-benefit fraud

36 Between 1991 and 2000, councils prioritised detecting benefit fraud. In 1991, only 2 per cent of cases of detected fraud related to non-benefits. When the *PPP* series restarted in 2009, nearly two in five (39 per cent) of all cases detected were of non-benefit fraud. By 2013/14, this had risen to over half (56 per cent) of all frauds detected (Figure 6)

In the last 5 years, the focus has shifted from benefit to non-benefit fraud

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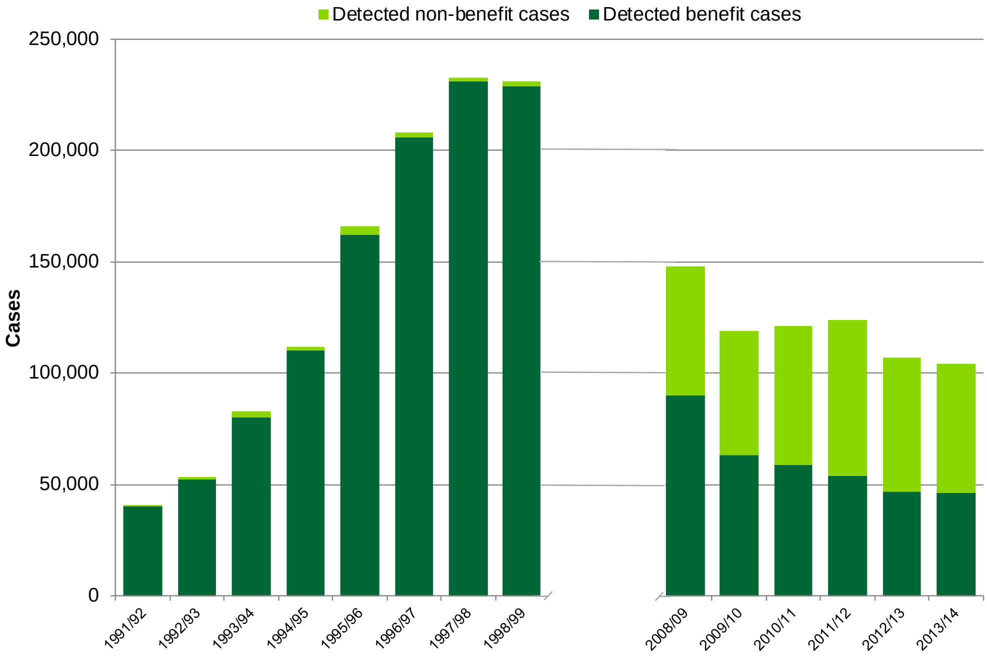
Figure 6: **The shift from benefit to non-benefit fraud**[i]

Detected cases 1991/92 to 2013/14



Source: Audit Commission (2014)

37 In 1993, the government introduced Weekly Benefit Savings (WBS), which created an incentive for councils to focus on benefit fraud. WBS ceased in 2002 and its replacement – Security Against Fraud and Error (SAFE) – ended in 2006[ii]. This removed a direct financial incentive for councils to focus on benefit fraud.

38 The transition to the SFIS in 2016 means, from that year, councils will focus solely on non-benefit fraud. Some councils, particularly small and medium-sized organisations, have traditionally relied on benefit fraud investigators to tackle non-benefit frauds. It is unclear if these councils, and some others, will be able to refocus their efforts and resources on non-benefit frauds once the SFIS is in place.

39 From 2009, *PPP* reports contained information about a wider range of non-benefit frauds than the earlier series, such as fraud detected within procurement or social care. This was to help local government bodies better understand the extent of the risks they face.

i Data are not available from 1999/2000 to 2007/08 because PPP did not operate in this period.

ii Under WBS, councils received funding, or were penalised, depending upon their achieving baseline levels of detected benefit fraud set by the government. Under SAFE, councils received additional funding based on the number of prosecutions and sanctions.

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40 Table 4 provides further information about the more recent history of the detected cases and values of these non-benefit frauds. Between 2009/10 and 2013/14, the main findings are that:

- councils have consistently detected more council tax discount fraud than any other type of non-benefit fraud (nearly 50,000 cases in 2013/14);
- council tax discount frauds have the lowest average value of all non-benefit frauds (£342 in 2013/14), but the scale of fraud in this area means they generate the biggest losses – £16.9 million in 2013/14;
- detected Right to Buy fraud cases have substantially increased in the last two years to 193 in 2013/14. Because their average value is over £64,000, they generate substantial losses of £12.4 million in that year;
- the number of detected cases of social care fraud more than trebled over the period to 438. With an average value in 2013/14 of £14,297, they account for £6.3 million in losses;
- the number of detected business rates frauds has fluctuated, rising from only 29 in 2009/10 to 319 in 2011/12 and then declining to 84 in 2013/14[i]; and
- the number of detected cases of insurance fraud similarly fluctuated over the last five years, but in 2013/14 councils detected three times as many of these frauds as in 2009/10.

Right to Buy fraud cases increased in number by over 400% between April 2012 and March 2014

i This recent decline is unexpected, especially given the impact of the change in financial incentives from April 2013 for councils to tackle this fraud.

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Table 4: **Cases and value (adjusted for inflation) of detected non-benefit fraud between 2009/10 and 2013/14**

		Council tax discount	Business rates	Right to Buy	Procurement	Insurance	Social care	Economic/ third sector	Blue badge
2013/14	Cases	49,428	84	193	127	226	438	36	4,055
	Value	£16,895,230	£1,220,802	£12,361,858	£4,437,965	£4,776,300	£6,261,930	£741,867	£2,027,500
	Average	£342	£14,533	£64,051	£34,945	£21,134	£14,297	£20,607	£500
2012/13	Cases	54,094	149	102	203	74	200	36	2,901
	Value	£19,905,056	£7,348,809	£5,959,424	£1,910,317	£3,026,996	£4,040,356	£1,299,707	£1,475,510
	Average	£368	£49,321	£58,426	£9,410	£40,905	£20,202	£36,103	£509
2011/12	Cases	60,891	319	38	187	132	122	45	4,809
	Value	£21,338,364	£2,651,726	£1,219,439	£8,297,496	£2,107,680	£2,216,681	£1,808,287	£2,472,366
	Average	£350	£8,313	£32,090	£44,372	£15,967	£18,170	£40,184	£514
2010/11	Cases	56,198	319	49	145	149	102	51	3,007
	Value	£23,599,729	£6,010,804	£1,090,538	£15,314,712	£3,905,680	£2,333,326	£1,361,079	£1,580,820
	Average	£420	£18,843	£22,256	£105,619	£26,213	£22,876	£26,688	£526
2009/10	Cases	48,253	29	34	165	72	131	47	4,097
	Value	£16,412,858	£660,891	£739,881	£2,962,701	£3,077,562	£1,534,013	£968,077	£2,210,152
	Average	£340	£22,789	£21,761	£17,956	£42,744	£11,710	£20,597	£539

41 Councils have to be alert to both the intended and unintended consequences of government policies. Some are directly intended to change local practice, such as the introduction of the SFIS. Others create new services or means of delivery that may produce unintended incentives and opportunities for fraudsters, such as raising the discount threshold for Right to Buy.

42 Central and local government can work together to anticipate and mitigate the risks of fraud created by new policies. This helps councils to adapt their counter-fraud approach to meet both intended and unintended consequences of government policies.

43 Frauds committed in schools and those committed by staff are included in all fraud categories. For this reason, we do not identify them separately in Table 4, but give more information in the following sections.

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Internal fraud

44 Since 2009/10, councils have detected broadly similar numbers of internal fraud, although their values have fluctuated. In 2013/14, councils detected nearly 1,500 cases of this type of fraud, generating £8.4 million in losses (Table 5).

£8.4 million of internal fraud detected by councils

Table 5: **Detected cases and values of internal (staff) fraud**[i] 2009/10 to 2013/14

Financial year		Cases and values (and as a % of total for each)
2013/14	Cases	1,474 (1.4%)
	Value	£8.4m (4.5%)
	Average	£5,750
2012/13	Cases	1,315 (1.2%)
	Value	£16.8m (9.3%)
	Average	£12,751
2011/12	Cases	1,459 (1.2%)
	Value	£15.9m (8.8%)
	Average	£10,917
2010/11	Cases	1,581 (1.3%)
	Value	£20.5m (10.5%)
	Average	£12,969
2009/10	Cases	1,659 (1.4%)
	Value	£8.6m (5.9%)
	Average	£5,207

Source: Audit Commission (2014)

i Total and average fraud values for years between 2009/10 and 2012/13 are adjusted for inflation using HM Treasury's GDP Deflator. These values will thus differ from those in previous *PPP* reports.

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Fraud in maintained schools

45 Schools[i] can be defrauded by those working in them, for example, staff who embezzle school funds, commit payroll fraud, or who claim false expenses. Externally, schools may be victims of procurement fraud and mandate fraud[ii], among other types.

46 In 2013/14, we report a total of 206 cases of schools fraud worth £2.3 million. This is an 8 per cent increase in cases over the previous year, and a less than 1 per cent increase in value (Table 6).

Councils report a rise of 8% in the value of fraud detected at maintained schools

Table 6: **Detected fraud in maintained schools**

Change from 2012/13 to 2103/14

Fraud in maintained schools	2013/14	2012/13	Percentage change 2012/13 to 2013/14
Total value	£2,330,416	£2,323,856	+1
Number of detected cases	206	191	+8
Average value per case	£11,313	£12,167	-7

Source: Audit Commission (2014)

47 Of these frauds, over half (54 per cent) of cases and nearly two-thirds (62 per cent) of the value involved fraud by staff. These are substantially higher proportions than in other local government services. These findings are similar to those in *PPP 2013, which* suggests that schools may have weaker governance arrangements and less effective controls than larger organisations to detect and prevent fraud.

48 It is important for maintained schools to continue to report the number and value of detected fraud to keep focus on this issue. The Commission would like to see similar transparency across all non-maintained schools to protect the public purse. The risk of fraud in non-maintained schools is becoming more apparent (Ref. 5).

49 The CIPFA Centre for Counter Fraud has recently published good practice guidance on tackling schools fraud (Ref. 6).

i In our annual fraud survey, we only collect data from maintained schools. Free schools, foundations and academies are outside the Commission's remit.

ii Mandate fraud is where fraudsters divert payments, by deception, from the bank account of legitimate companies into the fraudster’s own bank account.

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Councils' response to national policies

50 The unintended consequence of some changes in government policy is to make some frauds more attractive to fraudsters. In *PPP 2012*, for example, we suggested that significant increases in the Right to Buy discount implemented in that year is likely to increase the financial incentive to commit fraud in this area.

51 Table 4 shows that councils detected nearly six times as many Right to Buy frauds in 2013/14 as in 2009/10. From April 2012, the government brought in measures to encourage tenants to use the Right to Buy scheme. These included relaxing the qualifying rules and raising the discount threshold, which will rise in line with inflation.

Changes in government policy can have unintended consequences

52 These changes encouraged substantially more Right to Buy applications. They also led to more detected frauds. Between April 2012 and March 2014, councils detected 295 cases, a 144 per cent increase over the three years before.

53 Social care provides another example of the effect of national policies. Since 2007, the government has consistently aimed to give people more choice and control over the social care they receive, and to enable them to live independently at home for as long as possible (Ref. 7).

54 The policy of more choice and local control has, however, changed the scale of the fraud risks councils face. Cases of detected social care fraud increased from 131 in 2009/10 to 438 in 2013/14. In 2013/14, however, a majority of all councils except London boroughs did not detect a single social care fraud (Table 7).

Table 7: **Councils reporting no detected social care fraud in 2013/14**

Council type	Proportion not reporting any detected social care fraud
Unitary authorities	62%
Metropolitan districts	53%
County councils	52%
London boroughs	39%

Source: Audit Commission (2014)

55 Councils are detecting more cases of detected fraud in social care (see Table 4). This suggests that the risks of fraud in this service are growing, and also that some councils are taking this risk seriously. If all councils did so, the number of detected cases might rise further.

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56 More research is needed to identify the nature and quantify the extent of frauds in education and social care, which together account for 62 per cent of all councils spending in 2012/13 (excluding benefit payments) (Ref. 8, Figure 1, page 2). Similarly, more research would also help councils to quantify the extent of fraud in business rates, for which they collected £21.9 billion in 2012/13 (Ref. 9, Para.1).

57 The increased detection of housing tenancy fraud provides a good example of the benefits greater information and attention brings. Since 2009, tenancy fraud has been a regular focus of *PPP* reports. We believe that councils can apply the learning from our approach to tenancy fraud to new and emerging fraud threats.

Housing tenancy fraud

58 Tenancy fraud is now recognised as the second largest area of annual fraud loss in English local government, valued at £845 million. There is a further £919 million of annual loss to housing associations (Ref. 1).

At £845 million, tenancy fraud represents the second largest yearly loss to councils from fraud

59 *PPP's* focus on tenancy fraud shows the benefit of regular reporting on rates of detected fraud, combined with supporting research. This approach has produced more reliable estimates of the extent and value of this type of fraud. It has also challenged myths and misconceptions about tenancy fraud and encouraged organisations to work together to share innovative approaches to tackling it. Similar action would help councils to tackle other types of fraud.

60 Prior to 2009, there was no national estimate of the scale of tenancy fraud, or of the value of a social home recovered from a fraudster, and no regional information on detection. Some social housing providers were reluctant to recognise this type of fraud, on the grounds that as long as the fraudster occupying the property was paying rent, they suffered no financial loss.

61 This encouraged many myths to build up, for example, that tenancy fraud was only a problem in London. This led some councils outside the capital to conclude they did not need to take any action to prevent or detect it.

62 The Commission published the first robust research in the UK that challenged such myths. *PPP* reports contained good practice examples of social housing providers within and outside the capital that had increased cases of detected tenancy fraud.

63 We published a cautious estimate of the extent of tenancy fraud in *PPP 2009* (updated in *PPP 2012*), which is widely accepted across England. Our research was used as the principal evidence base for a new offence specific to tenancy fraud, contained in the Prevention of Social Housing Fraud Act 2013.

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64 Above all, we worked in partnership with key stakeholders, such as the Chartered Institute of Housing (CIH), the National Fraud Authority and the national Tenancy Fraud Forum, to identify and promote good practice and to encourage councils and housing associations to work together to fight fraud.

65 We believe that this approach helped to publicise the issues and encouraged social housing providers to combat tenancy fraud more effectively. Between 2009/10 and 2013/14, the total number of detected cases of housing tenancy fraud increased by 92 per cent.

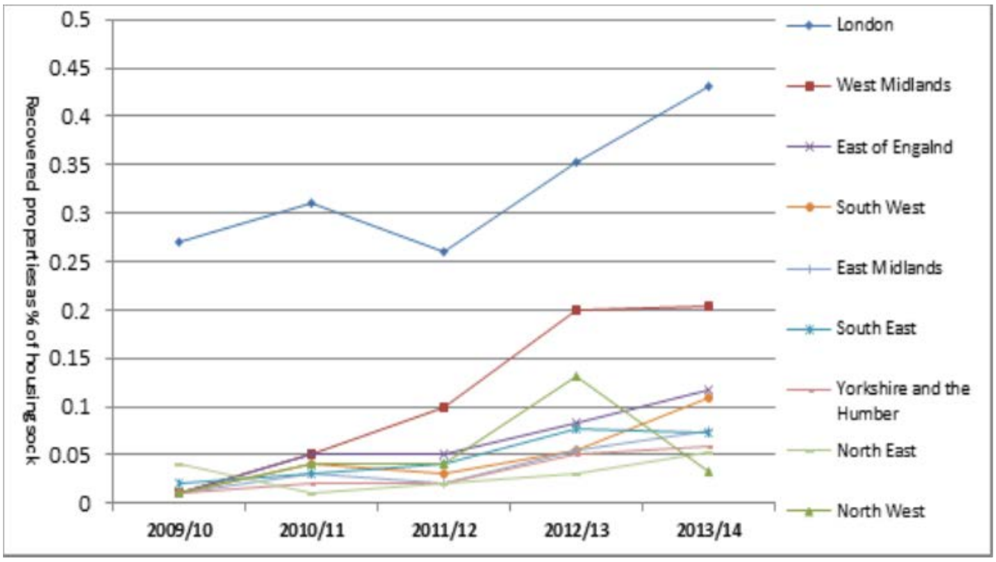
66 The rate of improvement outside London has been substantial: in 2009/10, these councils only recovered 228 properties, but in 2013/14, this had risen to 1,223, an increase of 436 per cent.

436%

increase in properties recovered, from housing tenancy fraudsters, outside of London in the last five years

67 Between 2009/10 and 2013/14, while the overall trend of recovery increased, the rate of recovery was uneven across regions (Figure 7).

Figure 7: **Recovered properties as a proportion of council housing stock in each region 2009/10 to 2013/14**



Source: Audit Commission (2014)

68 London has consistently detected the most tenancy frauds, measured as a proportion of total housing stock. The North West now detects proportionately the fewest tenancy frauds, which is the result of a decline in the last year. Had councils in this region maintained the same rate of detection as a proportion of their housing stock as in 2012/13, around 90 additional homes would have been available for families on the waiting list.

69 If all councils assigned resources to tackle tenancy fraud proportionate to their total stock, and adopted recognised good practice, then regional detection rates should be broadly similar. The fact they are not suggests that some councils can raise their performance.

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70 In 2014, the Chartered Institute of Housing published updated good practice on tackling tenancy fraud (Ref. 10).

71 The Commission reports detection rates by councils and Arm's Length Management Organisations only. Information from housing associations is not universally available. However, as previous *PPP* reports have shown, some housing association partnerships have made good progress.

Case study 1

Tenancy Fraud Forum – partnership working

- The Gloucestershire Tenancy Fraud Forum (GTFF) was formed in 2012 by seven social housing providers in the local area (Cheltenham Borough Homes, Gloucester City Homes, Severn Vale Housing Society, Two Rivers, Rooftop Housing Group, Stroud District Council and Guinness Hermitage). Prior to forming GTFF, individual member organisations detected few tenancy frauds.
- From 2012, GTFF members started sharing good practice, carrying out joint staff training and in particular undertook a local media-based awareness raising campaign. This resulted in a large increase in reports of suspected tenancy fraud.
- Following the campaign, GTFF recovered 107 homes from tenancy fraudsters in 2013/14. To build an equivalent number of homes from new would have cost the public purse over £16 million[i].

Source: Audit Commission (2014)

72 Some innovative housing providers used the launch of the 2013 Prevention of Social Housing Fraud Act as an opportunity to publicise their own tenancy fraud amnesties.

i In PPP 2011, we calculated the replacement cost of an average social housing unit to be £150,000.

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Tenancy fraud amnesties

Tenancy fraud amnesties may have longer term benefits

73 Amnesty can be a useful option for social housing providers to recover properties from tenancy fraudsters. When implemented properly, they can have considerable impact at low cost.

74 In 2013, the London Borough of Camden offered an amnesty lasting two months. In this time, tenancy fraudsters could hand back the keys to properties they had unlawfully occupied or sub-let, without further action taken on cases that were not being prosecuted for other offences. Fraudsters returned seven properties (with a replacement value of over £1 million) to the Council. This represented a good return on the £25,000 spent on publicising the amnesty. LB Camden recovered 103 properties subject to tenancy fraud in total during 2013/14.

75 The publicity had wider benefits. Prior to the campaign, the Council had received just six referrals from the public to its tenancy fraud hotline. In the two months during the campaign, it received 50 calls, with many more in the months that followed. The Council launched a number of investigations as a direct result of the increased hotline referrals and has so far recovered four more properties from these referrals with a further four pending prosecution.

76 The Peabody Housing Association saw similar benefits from an amnesty. In 2012, 40 properties were handed back to the Association. In 2013, it held a two-month amnesty, during which 42 properties with a replacement value of £6.3 million were returned. In the whole year, tenants handed back 130 properties, suggesting the amnesty possibly had a longer term effect.

77 The approach to housing tenancy fraud in *PPP* reports since 2009 illustrates how social housing providers can change their approach to fighting one type of fraud, based on robust information and greater transparency. Adopting a similar approach to other frauds would help them fulfil their duty to protect the public purse, which Chapter 4 explores in more detail.

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Chapter 4: Effective stewardship of public funds

A corporate approach to tackling fraud in all areas supports councils to carry out the core functions of effective counter-fraud. This helps them fulfil their role as stewards of public resources, to the benefit of local and national taxpayers.

78 Councils are stewards of public funds and have a duty to protect the public purse from fraud. Better performing councils acknowledge this responsibility and put in place the core components of an effective corporate counter-fraud approach. These are contained in CIPFA guidance (Ref. 11) and the government Fraud Review (Ref. 12) and are:

- prevention and deterrence;
- investigation and detection; and
- sanction and redress (recovery of funds or assets).

79 Councils face a challenge in carrying out these functions as their funding declines. This chapter considers each component in more detail and highlights examples of good practice showing how councils can develop a long-term and sustainable approach to tackling fraud.

Prevention and deterrence

80 Investigating fraud can be expensive for councils. They also incur costs in prosecuting fraudsters and in attempting to recover money, which is not always successful. It is usually more cost-effective to prevent fraud than to take action afterwards.

81 In 2014, we asked over 200 fraud investigators and auditors from English local government how well their councils, or the councils they audit, prevent fraud. They believed that the strongest fraud prevention arrangements were found in housing benefits and council tax discounts, and the weakest in social care and schools.

82 Better performing councils learn from fraud investigations, and address the weaknesses that enabled the fraud to occur. Such councils strengthen fraud prevention arrangements as a result, including deterrence.

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83 Some councils may be sceptical about the value of fraud prevention; for this reason, the sector would benefit from an agreed methodology to measure its cost-effectiveness. The government should commission such research.

84 Even where councils obtain no direct financial benefit from preventing frauds, they should still fulfil their duty to protect the public purse by pursuing fraudsters.

Case study 2

Fraud prevention - Right to Buy

- In 2014, Sandwell Metropolitan Borough Council successfully prosecuted two people for a fraudulent Right to Buy application worth nearly £50,000. The fraudsters initially claimed the Right to Buy discount in 2011, making false statements about their eligibility indicating they were sisters and stating they both lived at the address. Their initial claim was refused on the grounds of failing to comply with residency requirement.
- In 2012, the fraudsters again claimed the Right to Buy discount, and again supplied false information about their relationship. The fraud was initially identified through National Fraud Initiative data matches. This enabled the Council to stop the Right to Buy before the sale was processed.
- Subsequent enquiries by the Council established that the fraudulent tenant was falsely claiming benefits, stating that she was resident at other addresses, while still claiming to be a Sandwell resident.
- The fraudsters were found guilty under the Fraud Act and each given a 20 month custodial sentence. This is one of the first successful prosecutions of Right to Buy fraud outside London.

Source: Audit Commission (2014)

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85 Councils increasingly use digital technology across services and functions. This reduces costs and can improve service quality, but also brings new fraud risks. Each year we adapt our annual fraud survey to gather new information about emerging fraud risks. The government should encourage the organisation carrying out the survey in the future, CIPFA, to investigate the extent to which fraudsters use digital and on-line technology to defraud local government.

86 Innovative councils also use technology to prevent and detect fraud:

Case study 3

Using technology to prevent fraud

- The London Borough of Southwark increased vetting checks at the point of application for a number of its services, to help protect valuable resources. The London Borough of Southwark is the third largest social landlord in the UK and has a large transient population.
- In 2013, The London Borough of Southwark implemented passport and identity scanners across the council at key customer contact points, including One Stop Shops, Housing Options and the Registrar's office. A mobile scanning system is also used by The London Borough of Southwark anti-fraud services and by council departments conducting specific projects. In total, 6,690 document scans were conducted in 2013/14, with 4 per cent requiring additional checks and verification as result.
- The London Borough of Southwark implemented additional verification checks on the council's waiting list, including veracity of application form information. This has reduced the number of accepted applications by 20 per cent. Additional verification checks have also been conducted on prospective tenants before they collect the keys to the tenancy. This prevented 12 per cent of all such allocations going to fraudsters.

Source: Audit Commission (2014)

87 Councils can deter people from committing fraud if they set out clearly what fraud is and make clear it is likely fraudsters will be caught and punished. Professional fraud investigators believe the prospect of detection is the most powerful deterrent to committing fraud. This supports the need for councils to maintain adequate investigative capacity in a period of financial restraint.

88 It is not currently possible to quantify accurately the financial benefit from deterring fraud. Councils can look to other indicators that may show its impact. The number of households claiming single person discount is one example, first highlighted in *PPP 2013* (Ref. 4).

89 One-third of households in England claim single person discount. Our research (Ref. 13) suggests that typically between 4 per cent and 6 per cent of households claiming single person discount do so fraudulently.

4%to 6%

of council tax single person discount claims are typically fraudulent

90 Between 2008 and 2013, the number of councils where 40 per cent or more households claimed single person discount reduced from 23 to 7. The council with the highest proportion of households claiming single person discount experienced a reduction in claims from 48 per cent to 41 per cent. One possible explanation for the decline in single person discount claims is the greater publicity from councils about this fraud in recent years.

Investigation and detection

91 Fraud investigators have legal powers to investigate Council Tax Reduction frauds and housing tenancy frauds. The powers do not extend to other fraud types. This restricts their ability to investigate and detect fraud across all services, including social care and procurement. Councils need equivalent powers for all fraud types to protect the public purse effectively.

92 Over the past 25 years, councils have substantially increased the number of benefit fraud investigators they employ. Between 1994 and 1997, staff numbers rose from 200 to over 2,000 (Ref. 14). The government encouraged councils to enhance the skills and training of these new staff. In 1998, the DWP launched the Professionalism in Security (PINS) qualification and associated training for benefit fraud investigators.

93 *PPP 2013* (Ref. 4) reported a decline in detected fraud over the previous year; the first such fall since 2009. That report suggested further research to see whether falls in detection were linked with changes in councils' investigative capacity. Since 2010, councils have cut total staff numbers in response to reduced income[i] (Ref. 15).

i Across the United Kingdom, full-time equivalent staff numbers employed by local government fell from 2,160,000 in 2010 (Quarter 1) to 1,787,000 in 2014 (Quarter 1), a fall of 21 per cent.

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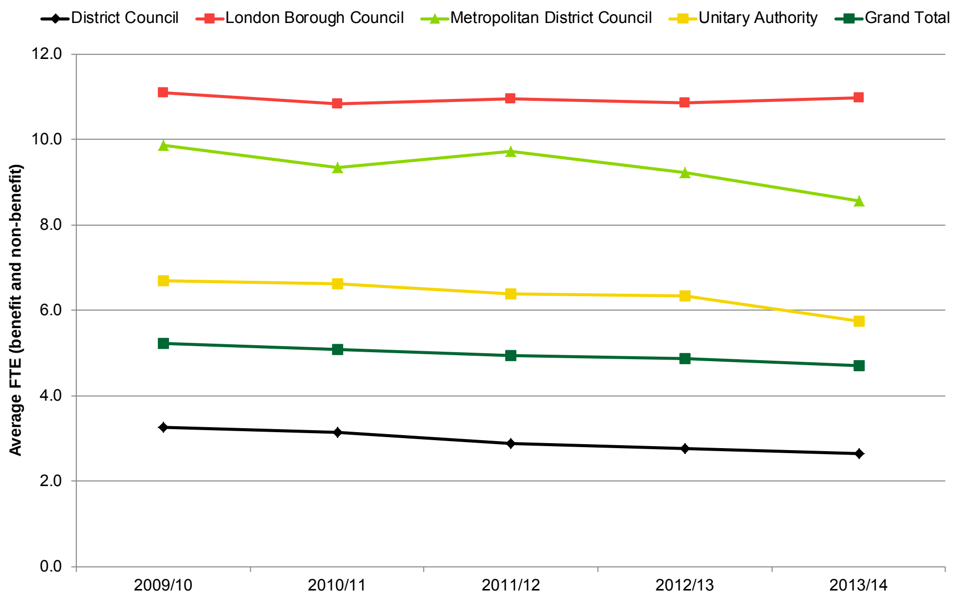
94 Between 2009/10 and 2013/14, the mean average number of full-time equivalent (FTE) fraud investigators employed by councils declined steadily from 5.2 to 4.7, a fall of 10 per cent (Figure 8).

Figure 8: **Average numbers of FTE fraud investigators, by council type 2009/10 to 2013/14**



Source: Audit Commission (2014)

95 London councils employ the most investigators and have seen little change at around 11 FTE staff over the whole five years. District councils have employed the fewest fraud investigators, and have seen their average FTE numbers reduce by 19 per cent, with unitary authorities and metropolitan districts reducing by 14 per cent and 13 per cent respectively.

96 We wanted to investigate whether annual changes in staff numbers are associated with changes in the numbers of reported detected benefit and non-benefit fraud in each year within this period.

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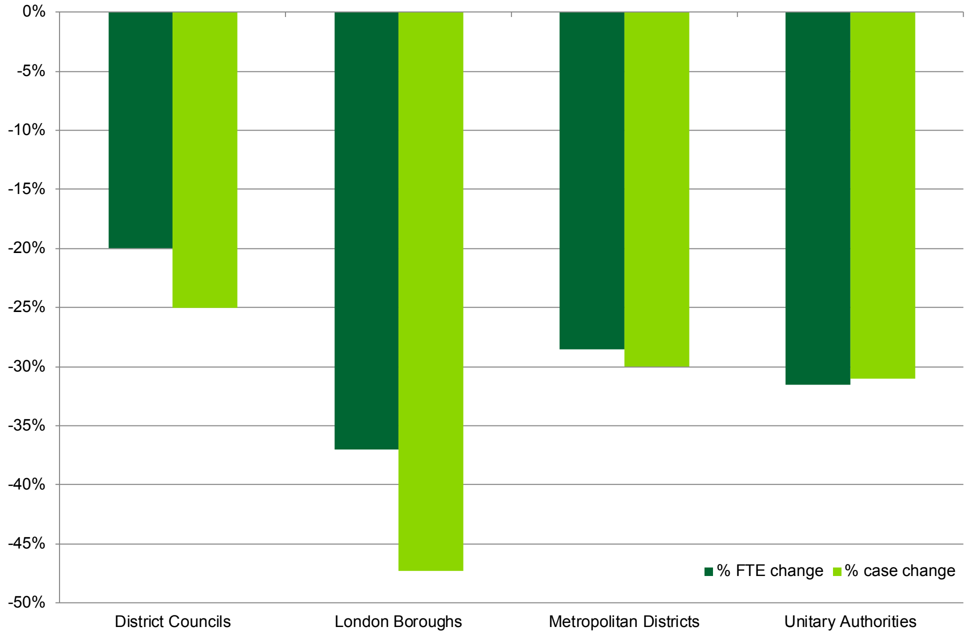
97 Not enough councils reported separate staff numbers for non-benefit fraud staff to enable analysis of this type of fraud. For benefit fraud, all council types[i] saw a substantial reduction in both FTE staff numbers and detected benefit fraud cases (Figure 9).

Figure 9: **Councils' capacity to detect benefit fraud**

Changes in median benefit fraud FTE numbers and detected benefit fraud cases in 2009/10 and 2013/14



Source: Audit Commission (2014)

98 Taking all councils in the analysis together, the median percentage fall in detected cases of benefit fraud exceeded that for FTE benefit fraud investigators. This was true in all councils except unitary authorities, where the percentage reductions were similar in each category.

99 London boroughs saw the largest reductions, losing nearly two in five (37 per cent) of their benefit fraud investigation staff, and nearly half (45 per cent) of their detected benefit fraud cases over the whole period. It is likely that some of this decline is due to councils in the capital refocusing their fraud investigation resources on non-benefit fraud in preparation for the introduction of the SFIS (Ref. 4, Para. 46).

Counter fraud capacity and cases of benefit frauds detected both fell between 2009/10 and 2013/14

100 Other councils also saw a substantial decline in their capacity to detect benefit fraud of between 20 and 30 per cent over this period. They also detected between 23 and 31 per cent fewer cases of benefit fraud. These differences are not statistically significant and data are patchy in 2010/11 and 2011/12. However, they indicate a clear decline in both counter-fraud capacity and detection rates between the two years.

i This analysis excludes county councils, which do not administer housing and council tax benefits.

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101 Levels of reported detected fraud can only give an indication of the extent of fraud committed against councils. In our experience, the more councils look for fraud, and follow good practice, the more they will find. Increasing levels of detection may therefore be a positive sign that councils take fraud seriously, rather than evidence of weak counter-fraud controls.

102 It is becoming increasingly urgent for councils to recover losses to fraud. In 2016, the funding to aid councils refocus their activities on non-benefit frauds during the transition to the SFIS will end. Without this money, councils will need alternative means of financing counter-fraud investigation and prevention. Recovery of losses offers one way to do this.

Sanction and redress (recovery of losses)

103 Councils can invoke a range of criminal and civil sanctions against fraudsters. They can impose fines (for example, a £70 fine for fraudulently claiming single person discount), and withdraw benefits, contracts or licences. In some cases, stopping the discount or service provided may be the limit of the action taken.

104 The vast majority of frauds committed against local authorities are never pursued through the criminal courts. There are many frauds against councils (104,132 detected cases in 2013/14). With fewer staff and resources, it is appropriate for councils to follow different courses of action. This is consistent with good stewardship of public funds.

105 Recovering funds lost to fraud can be difficult. Research suggests that, across all sectors of an economy, more than half of all fraud victims do not recover any monies. Fewer than one in ten achieves full financial restitution (Ref. 16).

106 Councils can pursue recovery through the civil or criminal courts, but they can consider alternative means to punish fraudsters, deter potential fraudsters and also generate funds to reinvest in tackling fraud.

107 In 2014, the Local Authority Investigating Officers Group (LAIOG) published guidance on estimating potential loss to fraud in specific areas of local authority activity. Councils can utilise this guidance to estimate their own local losses (Ref. 17).

108 Appendix 3 contains case studies that illustrate how councils can use legislation, notably but not solely the Proceeds of Crime Act 2002 (POCA), to recover money from fraudsters.

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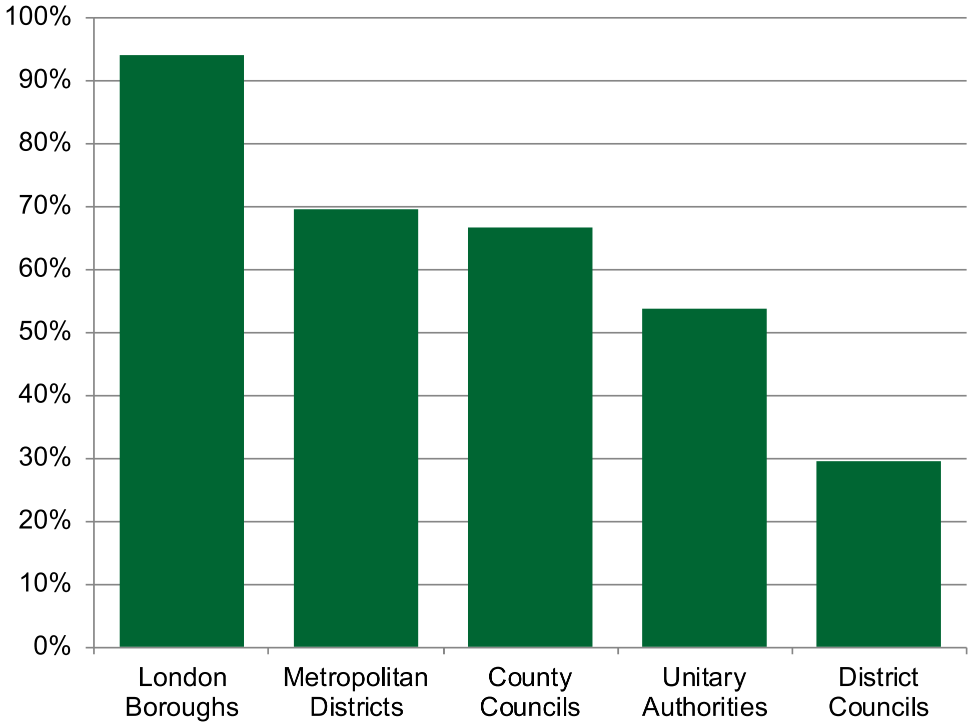
109 POCA offers one means of recovering fraud losses through criminal law. Around two in five (43 per cent) of councils employ, or have access to, specialist POCA financial investigators to recover money from fraudsters through the courts (Figure 10).

Figure 10: **Proportion of councils in 2013/14 with access to POCA financial investigators, by council type**



Source: Audit Commission (2014)

110 The proportion of councils in each group with access to financial investigators varies widely. All but two London boroughs use them and most employ their own. In contrast, just over a quarter (28 per cent) of district councils used a financial investigator.

111 Financial investigators have typically focused on trading standard offences and benefit fraud, but they also enable councils to use POCA to recover funds lost to other frauds.

112 For example, in 2014, the financial investigator at the London Borough of Lewisham[i] used a POCA confiscation hearing to establish the link between social housing fraud and additional costs the Council had incurred in housing homeless people. We had previously identified this link in *PPP* reports. The court agreed and set a precedent by awarding Lewisham £10,000 per fraudulently sub-let property in this case.

i This case was undertaken by the financial investigator on behalf of Lewisham Homes, the Arm's Length Management Organisation (ALMO) that manages the social housing stock for the council.

113 The court's judgement creates case law that will help social housing providers to punish offenders, recover funds and, equally importantly, deter others from committing such frauds in the future.

114 Local authorities should give greater consideration as to how best to use POCA financial investigators, especially in cases where councils incur substantial financial loss.

CIPFA Code of Practice on Managing the Risk of Fraud and Corruption

115 The six key components of effective stewardship of public funds highlighted in this chapter are incorporated within the newly published CIPFA Code of Practice on Managing the Risk of Fraud and Corruption (Ref. 18). The Code will be supported by a self-assessment framework. CIPFA also intend to publish good practice guidance. We encourage all public bodies, including local authorities, to assess themselves against this Code.

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Chapter 5: Building on *PPP's* legacy

The Commission's PPP reports have made an important contribution to the fight against public sector fraud. The CIPFA Counter Fraud Centre is well placed to continue this work, and intends to publish future annual _PPP_ reports on the extent of detected fraud in local government.

116 Throughout its existence, the Commission has played an active part in helping public bodies tackle fraud effectively. For example, early *PPP* reports identified low levels of fraud detection in the NHS, which led in part to the creation of the NHS Counter-Fraud Service in 1998 (now NHS Protect). Our research on the scale of tenancy fraud and council tax single person discount fraud has been widely used to support improvements in the response to such fraud.

117 *PPP* reports use the Commission's statutory powers to collect and publish data on local counter-fraud detection. They have changed the way local government bodies and other organisations think about and approach fighting fraud, and achieved a number of important outcomes.

PPP reports raise awareness of the importance of fighting fraud

118 When the Commission resumed *PPP* in 2009, there was little research available on the nature and extent of most types of non-benefit fraud affecting local government bodies. We developed robust estimates, now widely used by national and local government, of the scale of both tenancy fraud and council tax single person discount fraud.

119 Many organisations did not acknowledge that fraud is a problem or understand its scale and impact. *PPP* reports attracted publicity and interest, which help officers and councillors to argue for more effective resources to protect the public purse.

120 Each *PPP* report contain a checklist for those charged with governance to help them understand and assess their risks and performance. The latest version is in Appendix 2. Councils should continue to use this checklist, which is updated annually with each new *PPP* report.

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PPP reports promote transparency and accountability

121 The information in *PPP* reports, combined with individual fraud briefings (see paragraphs 126 to 129), help to create greater transparency and accountability in local public services. *PPP* reports have been widely used by audit committees.

PPP reports improve data about fraud

122 Prior to 2009, there was no sector-wide definition, or sub-categorisation, of fraud affecting local government. The annual fraud survey for *PPP* reports foster a common understanding of fraud across local government, and require local government bodies to record the numbers and values of all the frauds they detected.

PPP reports enable local government bodies to benchmark their performance in detecting fraud

123 *PPP* reports contain regional and national data on detection rates and values for all types of benefit and non-benefit frauds. This allows English councils to compare their performance against national, regional and local norms. Understanding fraud detection performance helps local government bodies to adopt a proportionate and effective approach to fighting fraud.

PPP reports promote good practice in fighting fraud

124 Each *PPP* report contains case studies that illustrate the actions local government bodies, often in partnership, take and the outcomes they achieve in fighting fraud. Every year, we work with councils to promote good practice across the sector.

125 All these benefits were possible because the Commission could mandate councils to complete and return the annual questionnaire for the fraud and corruption survey. Going forward, unless the survey is mandated by DCLG, response rates will probably fall. This would reduce the reliability of the survey results.

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Fraud briefings

62% of councils compared their detection levels with their peers, using our tailored fraud briefings

126 In 2013, we published for the first time individually tailored fraud briefings to support external auditors' communication with those responsible for governance at each council, principally locally elected councillors on audit committees. The briefings contained comparative benchmark information on each council's detection results. External auditors could provide these briefings on request and on a confidential basis, to ensure that the information they contained was not available to fraudsters[i].

127 All 353 English local authorities were able to receive their fraud briefing, without charge, through a presentation from their external auditor in late 2013 and early 2014. Around three in five councils (62 per cent) received a briefing and presentation, but it is disappointing that many councils did not.

128 We believe these briefings make an important contribution to improving transparency and accountability in local fraud detection performance. Some councils are reluctant to discuss fraud, or unwilling to accept it occurs, which may help to explain why not all councils opted to receive their fraud briefing.

129 In November 2014, we will again make fraud briefings available free to all councils, via their external auditor. We encourage all local authorities to use these fraud briefings to inform their local counter-fraud priorities and strategies.

CIPFA Centre for Counter Fraud

130 Fraud risks are constantly changing. New ways of delivering public services, in particular through digital technology, bring new threats. Local government's counter-fraud approach needs to adapt and evolve to meet these new challenges. A key requirement for local bodies is to improve their counter-fraud capability.

i In 2012, the Audit Commission cited an exemption under section 31(1)(a) of the Freedom of Information (FOI) Act (that disclosure would be likely to prejudice the prevention or detection of crime) to refuse an FOI request for council-specific annual detected fraud survey results. Our concern was that disclosure of the data could prejudice the ability to prevent or detect fraud if any particular authority's track record in this regard were to become public. The Information Commissioner's Office upheld this exemption. It is for individual organisations to seek their own advice and determine their response to any FOI requests.

131 Auditors and fraud investigators already have many of the skills required to provide an effective counter-fraud service. Although some councils use such resources effectively, this is far from universal.

132 From April 2015, the Audit Commission's strategic counter-fraud activities and team will transfer to CIPFA's Counter Fraud Centre. The Centre is a source of expertise and leadership for local government and the wider public sector to help organisations meet challenges in the future.

133 With the support of the new Counter Fraud Centre, the sector can enhance investigative capability, even with fewer staff. The Centre can support measures to improve in several important areas:

- **Continuing to publish *PPP*.** The Centre intend to publish a similar *PPP* report based on an annual survey of detected fraud and corruption in English local authorities.
- **Benchmarking performance**. Benchmarking is critical to understanding how well an organisation performs. The Centre for Counter Fraud intend to continue to publish individual fraud briefings. It will also draw on CIPFA's expertise in comparing data.
- **Professional training.** The Centre will develop and offer professional accredited training for the public sector with specific bespoke focus for local government investigators.
- **Tools and other services.** The Centre will offer e-learning in anti-corruption and whistleblowing, supported by counter-fraud specialists. Other services will include professional networks, thought leadership and fraud alerts.

134 CIPFA does not have the same breadth of powers that the Audit Commission has been able to deploy to support local government, including powers to mandate submission of information on fraud detection results. This could weaken the comparative data used in fraud briefings.

135 We encourage all councils and other public bodies to maximise the potential benefits of participation with the CIPFA Counter Fraud Centre.

136 The Audit Commission leaves a strong legacy in counter-fraud. CIPFA is well placed to continue this work and help local government in its fight against fraud.

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Appendix 1: Data tables of detected frauds and losses by region

Table 8: **Detected frauds and losses 2013/14 by region compared to regional spend by councils**

Region	Council spending by region as percentage of total council spending in 2012/13[i]	Regional percentage of the total value of all detected frauds in 2013/14	Regional percentage of the number of all cases of detected frauds in 2013/14
(TOTAL)	(£111.7 billion)	(£188.3 million)	(104,132)
East of England	10.3	9.9	10.3
East Midlands	7.7	6.4	8.6
London	18.2	27.1	20.8
North-East	5.4	4.1	6.5
North-West	13.6	10.9	8.3
South East	15.0	14.5	15.7
South-West	9.1	9.0	9.6
West Midlands	10.8	9.8	12.5
Yorkshire and Humber	10.1	8.3	7.7

Source: Audit Commission (2014)

i Regional spending data for 2013/14 are not yet available. However, the proportions of spending in each region do not change much from year to year. For this reason, Table 8 includes 2012/13 spend data as a benchmark against fraud losses and detected cases in 2013/14.

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Appendix 2: Checklist for councillors and others responsible for governance

I. General	Yes	No	Previous action	2014 Update
1. Do we have a zero tolerance policy towards fraud?				
2. Do we have the right approach, and effective counter-fraud strategies, policies and plans? Have we aligned our strategy with *Fighting Fraud Locally*?				
3. Do we have dedicated counter-fraud staff?				
4. Do counter-fraud staff review all the work of our organisation?				
5. Does a councillor have portfolio responsibility for fighting fraud across the council?				
6. Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes?				
7. Have we received the latest Audit Commission fraud briefing presentation from our external auditor?				
8. Have we assessed our management of counter-fraud work against good practice?				
9. Do we raise awareness of fraud risks with:				
■ new staff (including agency staff);				
■ existing staff;				
■ elected members; and				
■ our contractors?				

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I. General	Yes	No	Previous action	2014 Update
10. Do we work well with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues?				
11. Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?				
12. Do we identify areas where our internal controls may not be performing as well as intended? How quickly do we then take action?				
13. Do we maximise the benefit of our participation in the Audit Commission National Fraud Initiative and receive reports on our outcomes?				
14. Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?				
15. Do we have effective arrangements for:				
▪ reporting fraud?				
▪ recording fraud?				
16. Do we have effective whistle-blowing arrangements. In particular are staff:				
▪ aware of our whistle-blowing arrangements?				
▪ have confidence in the confidentiality of those arrangements?				
▪ confident that any concerns raised will be addressed?				
17. Do we have effective fidelity insurance arrangements?				

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II. Fighting fraud with reduced resources	Yes	No	Previous action	2014 Update
18. Are we confident that we have sufficient counter-fraud capacity and capability to detect and prevent fraud, once SFIS has been fully implemented?				
19. Did we apply for a share of the £16 million challenge funding from DCLG to support councils in tackling non-benefit frauds after the SFIS is in place?				
20. If successful, are we using the money effectively?				
III. Current risks and issues	**Yes**	**No**	**Previous action**	**2014 Update**
Housing tenancy				
21. Do we take proper action to ensure that we only allocate social housing to those who are eligible?				
22. Do we take proper action to ensure that social housing is occupied by those to whom it is allocated?				
Procurement				
23. Are we satisfied our procurement controls are working as intended?				
24. Have we reviewed our contract letting procedures in line with best practice?				
Recruitment				
25. Are we satisfied our recruitment procedures				
■ prevent us employing people working under false identities;				
■ confirm employment references effectively;				
■ ensure applicants are eligible to work in the UK; and				
■ require agencies supplying us with staff to undertake the checks that we require?				

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III. Current risks and issues (continued)	Yes	No	Previous action	2014 Update
Personal budgets				
26. Where we are expanding the use of personal budgets for adult social care, in particular direct payments, have we introduced proper safeguarding proportionate to risk and in line with recommended good practice?				
27. Have we updated our whistle-blowing arrangements, for both staff and citizens, so that they may raise concerns about the financial abuse of personal budgets?				
Council tax discount				
28. Do we take proper action to ensure that we only award discounts and allowances to those who are eligible?				
Housing benefit				
29. When we tackle housing benefit fraud do we make full use of:				
■ National Fraud Initiative;				
■ Department for Work and Pensions Housing Benefit matching service;				
■ internal data matching; and				
■ private sector data matching?				

IV. Other fraud risks	Yes	No	Previous action	2014 Update
30. Do we have appropriate and proportionate defences against the following fraud risks:				
■ business rates;				
■ Right to Buy				
■ council tax reduction;				
■ schools; and				
■ grants?				

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Appendix 3: Case studies: targeting fraudsters, financial recovery (in particular use of POCA)

Case study 4

Recruitment payroll fraud - pension pot recovered (total value £414,415)

- In July 2012, a council successfully prosecuted the Head of their Youth Offending team and several co-conspirators for payroll fraud. In collusion with employees at a recruitment agency, the employee authorised payments for several non-existent temporary agency staff. The fraud was first brought to the attention of the council by a whistleblower.
- The employee was found guilty of conspiracy to defraud the council and sentenced to five years and six months in prison. The co-conspirators were also found guilty and sentenced to four years, two years, and 18 months respectively.
- In 2014, the council was awarded a total of £414,415 in financial restitution from the fraudsters, in part through successful POCA judgements. This included £286,415 recovered from the fraudsters' pension under provisions within the Local Government Pension Scheme.

Source: Audit Commission (2014)

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Case study 5

Prevention of Social Housing Fraud Act - unlawful profit order of £31,000

- In early 2014, a predominantly London-based housing association was one of the first social housing providers to gain an Unlawful Profit Order under the Prevention of Social Housing Fraud Act. This allows social landlords to seek a money judgement against their tenant where illegal sub-letting has occurred.
- On a routine visit, a housing officer became suspicious about illegal sub-letting after seeing an unfamiliar person in a property. The officer discovered that the official tenant had lived and worked in Spain for at least the last two and a half years.
- The court ordered the tenant to pay the housing association £31,000, plus costs. The property was recovered and immediately re-let.

Source: Audit Commission (2014)

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Case study 6

Procurement fraud and POCA

- In 2014, a council successfully obtained a confiscation order under the Proceeds of Crime Act for £75,000. This related to the amount an employee had been illegally paid to provide confidential contract information.
- The employee's responsibilities included awarding council contracts for ICT equipment. In this role, the employee introduced two new suppliers to the council's approved tender list, subsequently advising them of tender submissions by competing companies. This enabled the two companies concerned to underbid competitive rivals to secure the contracts.
- The fraud was identified as a result of information provided by an anonymous informant.
- The employee was dismissed, subsequently found guilty under the Fraud Act and sentenced to two years imprisonment.

Source: Audit Commission (2014)

Case study 7

Benefit fraud (£43,000), POCA award of nearly £1.2 million

- Over a four-year period a husband and wife made false statements as to their relationship and stole somebody else's identity (to create a non-existent landlord), to fraudulently claim housing benefit worth £43,000 from a council.
- The money claimed was used to finance an extravagant lifestyle, including purchases of two sports cars, expensive watches and nearly £100,000 of musical equipment. Subsequent enquiries by the council's financial investigator established that the husband owned a property abroad worth in excess of £1 million, had further land holdings and several businesses in the UK and abroad, including two money transfer companies. He also had several business and bank accounts.
- The fraudsters pleaded guilty to 19 Fraud Act, Theft Act, perjury and immigration offences. The fraudsters were sentenced to 30 months in prison and 12 months' suspended sentence respectively.
- Using the findings of the financial investigator's enquiries into the financial history of the fraudsters, a subsequent POCA hearing awarded £1,197,000 in a confiscation order, to be paid by the husband. The council is due £497,000 of this award.
- The fraudster husband subsequently paid £11,849 of the amount awarded. In late 2013, he left the UK and is now resident abroad. An arrest warrant has been issued.

Source: Audit Commission (2014)

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Case study 8

Recovery of 23 council houses from fraudsters

- In 2011, a council's fraud team uncovered one of the country's biggest ever tenancy fraud cases. Over a three year period, a council employee dealing with homeless people had operated a scheme to process bogus housing applications to fraudulently obtain council homes. Properties were subsequently allocated to the fraudster's family, close associates and later those willing to pay. The fraudster used fake identities, false personal data and fraudulently adjusted housing application forms to make the co-defendants "high priority" for housing.
- The fraud was first identified through National Fraud Initiative data 'Operation Amberhill' matches. Subsequent investigations found a pattern of false documentation being used to obtain social housing. Enquiries with the UK Borders Agency and HMRC established that seven of the properties were allocated to people not legally allowed to be in the UK.
- Council investigators found a pattern where significant one-off payments would be made to the fraudster's bank account. A few days later a property would be allocated to the individual making the payment.
- In total, 23 properties were fraudulently allocated, most of which have already been recovered by the council.
- The fraudster pleaded guilty to transferring criminal property and in January 2014 he was sentenced to four years in prison. The co-defendants, who included the mother and a former wife of the culprit, received suspended sentences ranging from six to eight months, and other penalties including curfews and community service.

Source: Audit Commission (2014)

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Case study 9

Benefit fraudster with over 30 bank accounts – POCA confiscation order of £150,000

- In 2011, a council initially identified through data matching that a benefit claimant had two undeclared bank accounts. Further enquiries established the claimant had over 30 such undeclared bank accounts in operation over a ten year period. During that time the claimant had received over £43,000 in benefits. A restraint order was placed on these bank accounts under the Proceeds of Crime Act, to prevent them being used.
- The individual was subsequently found guilty of two counts of benefit fraud under the Social Security Administration Act and received a six month custodial sentence.
- In 2014, a POCA confiscation order of £150,000 was made against the fraudster, of which over £43,000 related to the council for the fraudulent housing benefit payments. These monies have now been paid back by the fraudster.

Source: Audit Commission (2014)

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Case study 10

Right to Buy fraud and benefit fraud

- In 2010, a couple applied to purchase their council home under Right to Buy for £185,000, with a discount of £38,000. The purchase was not consistent with their financial circumstances, as they were long term benefit claimants on low income. As part of the council's anti-money laundering policy, enquiries were then made to establish how the property purchase would be financed.
- Enquiries revealed the couple had savings in excess of £30,000, which had not been declared in the course of claiming benefits. The mortgage to fund the purchase was to be £147,000. To obtain the mortgage, one defendant inflated his income and a completely false income was declared for the other, who had not worked for over 15 years.
- In March 2012, the defendants pleaded guilty to benefit fraud offences and money laundering totalling over £10,000. They received a 12 month Community Order, 150 hours unpaid work, an evening curfew and electronic tagging.
- At a subsequent confiscation hearing, the council were awarded over £40,000 in relation to both the Right to Buy and benefit frauds, which has been repaid in full.

Source: Audit Commission (2014)

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Case study 11

Housing officer fraudulently sub-letting council house

- In 2010, a council housing officer created false documents, forged signatures and copied confidential council-held information to create the false impression of a voluntary tenancy exchange for two council homes. Instead, the housing officer used the subsequent control over one property (that had supposedly been transferred to a new tenant), to fraudulently sub-let that property for £700 per month.
- The fraud came to the attention of the local authority as a result of an unrelated enquiry by the tenant of the fraudster to the council.
- The original tenant had returned the keys of the property to the council in 2010 and was now living abroad. He had no knowledge of the tenancy exchange, and his signature had been falsified on transfer documents.
- The housing officer was dismissed for gross misconduct, pleaded guilty to two offences of fraud by abuse of position and making and supplying articles for use in fraud. The fraudster was sentenced to two years and ten months' imprisonment.
- In 2014, a POCA confiscation hearing found the fraudster had obtained a lifestyle benefit of over £88,000. As a result, the council was awarded £16,631, representing half of the equity available on the fraudster's own property, which he jointly owned with his wife.

Source: Audit Commission (2014)

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SELBY
DISTRICT COUNCIL

Public Session

Report Reference Number: A/15/11 **Agenda Item No: 10**

To:	**Audit and Governance Committee**
Date:	**29 September 2015**
Author:	**Phil Jeffrey; Audit Manager; Veritau**
Lead Officer:	**Karen Iveson; Executive Director (s151 Officer)**

Title: Internal Audit Progress Report 2015/16

Summary:

The purpose of the report is to provide an update on progress made in delivering the internal audit workplan for 2015/16.

Recommendations:

It is recommended that the attached report be approved.

Reasons for recommendation

It is recommended that the report is considered by the Audit Committee as it summarises the audit work undertaken during the year to date.

1. Introduction and background

1.1. The provision of Internal Audit is a statutory requirement (Accounts & Audit Regulations 2015).

1.2 The Audit Committee approved the internal audit plan for 2015/16 at its meeting held on the 15 April 2015. The purpose of this report is to inform Members of the progress made to date in delivering the 2015/16 Internal Audit Plan and any developments likely to have an impact on the Plan throughout the remainder of the financial year.

2. The Report

2.1 Within the report there is a summary of progress made against the plan.

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2.2 Veritau carries out its work in accordance with the Public Sector Internal Audit Standards (PSIAS).

2.3 There is no direct linkage to any of the Council's Priorities, as internal audit is a support service, providing assurance on corporate governance arrangements, internal control and risk management to the Council's and Access Selby's managers in respect 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

3.1.1 There are no legal issues.

3.2. Financial Issues

3.2.1 There are no financial issues.

4. Conclusion

4.1 Currently, one 2015/16 audit is at draft report stage and a further eleven are either in progress or planning work has commenced. Seven 2014/15 reports have been finalised since the last report to this committee. It is anticipated that the 93% target will be exceeded by the end of April 2016 (the cut off point for 2015/16 audits).

5. Background Documents

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Appendices:

Appendix A – Internal Audit Progress Report

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Selby District Council

Internal Audit Progress Report 2015-16

Audit Manager: Phil Jeffrey
Deputy Head of Internal Audit: Richard Smith
Head of Internal Audit: Max Thomas
Date: 29 September 2015

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Background

1 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). The Head of Internal Audit is required to regularly report progress in the delivery of the internal audit plan to the Audit Committee and to identify any emerging issues which need to be brought to the attention of the Committee.

2 Members approved the Annual Internal Audit Plan 2015/16 at their meeting on the 15 April 2015. The total number of planned audit days for 2015/16 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 the progress made in delivering the agreed plan.

Internal Audit Work Carried Out 2015/16

3 A summary of the audit work completed in the year to date is attached at **Annex A**.

4 Veritau officers are involved in a number of other areas relevant to corporate matters:

- ***Support to the Audit Committee***; this is mainly ongoing through our support and advice to Members. We also facilitate the attendance at Committee of managers to respond directly to Members' questions and concerns arising from audit reports and the actions that managers are taking to implement agreed actions.

- ***Contractor Assessment*;** this work involves supporting the assurance process by using financial reports obtained from Experian (Credit Agency) in order to confirm the financial suitability of potential contractors.

- ***Risk Management;*** Veritau facilitate the Council's risk management process and advise Access Selby on their processes.

- ***Systems Development****;* Veritau attend development group meetings in order to ensure that where there are proposed changes to processes or new ways of delivering services, that the control implications are properly considered.

- ***Investigations;*** Special investigations into specific sensitive issues.

5 As with previous audit reports an overall opinion will be given for each of the specific systems under review.

6 The opinions used by Veritau are provided 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.

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Reasonable Assurance Overall, satisfactory management of ris[k 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.

7 The following priorities are 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.

8 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 further testing carried out as appropriate.

9 A total of 32 agreed actions from 2013/14 audits have now been followed up with responsible officers and satisfactorily implemented.

10 A total of 22 agreed actions from completed 2014/15 audits have been followed up with the responsible officers. 17 have been satisfactorily implemented. In a further 5 cases, the actions had not been implemented by the target date but a revised date was agreed. This is done where the delay in addressing an issue will not lead to unacceptable exposure to risk and where, for example, the delays are unavoidable (e.g. due to unexpected difficulties or where actions are dependent on new systems being implemented). These actions will be followed up after the revised target date. The remaining 19 actions agreed in 2014/15 audits have not yet been followed up because the relevant target date has not passed. A summary of this follow up work is included below:

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Action status	Total No.	Action Priority		
		1	2	
Actions now implemented	17	0	5	12
Revised date agreed	5	0	1	4
Follow up in progress	2	0	0	2
Not yet followed up	17	0	3	14
Total agreed actions	**41**	**0**	**9**	**32**

11 Currently, one 2015/16 audit is at draft report stage and a further eleven are either in progress or planning work has commenced. Seven 2014/15 reports have been finalised since the last report to this committee. Details can be found at Annex A. It is anticipated that the 93% target will be exceeded by the end of April 2016 (the cut off point for 2015/16 audits).

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Annex A

Table of 2015/16 audit assignments status

Audit	Status	Audit Committee
Corporate Risk Register/Access Selby RR		
Savings Delivery	Not started	
Corporate Complaints	In progress	
Customer Engagement	Planning underway	
Income Generation	Planning underway	
Freedom of Information	Not started	
Democratic Governance and Transparency	Not started	
Governance Arrangements	Not started	
Performance Management	Not started	
Financial Systems		
Housing Rents	In progress	
Council Tax/NNDR	Not started	
Benefits	Not started	
Creditors	Not started	
Income/Receipting Systems	Not started	
Payroll	Not started	
General Ledger (budgetary control & reconciliations)	Not started	
Treasury Management	Not started	
Regularity / Operational Audits		
Health and Safety	In progress	
Members' Allowances	Not started	
Recruitment	Planning underway	
Counter Fraud		
Counter Fraud Arrangements	In progress	
Whistleblowing Policy	Draft report issued	
Technical / Project Audits		
ICT – Disaster recovery	Not started	
ICT – PCI DSS compliance	Not started	
Programme for Growth	Planning underway	
Procurement	Not started	
Business Transformation	In progress	
Better Together	In progress	
Information Governance	Planning underway	

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Audit	Status
Follow Ups:	Updates provided to Audit Committee

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Summary of audits completed to 15 September 2015; previously not reported

Audit	Opinion	Comments	Date Issued	Key Agreed Actions[1]	Progress against key actions
Performance Management / Data Quality (2014/15)	High Assurance	**Strengths** Overall, it was found that data used to calculate KPIs was reliable and good systems are in place to manage the collection and reporting of KPIs. **Weaknesses** There are a significant number of Key Performance Indicators that only have one officer responsible for updating them on Covalent. The absence of a deputy means indicators may not be updated in a timely manner.	10 June 2015	None	

[1] Priority 2 or above

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Audit	Opinion	Comments	Date Issued	Key Agreed Actions[1]	Progress against key actions
Income & Receipting (2014/15)	High Assurance	**Strengths** It was found that the majority of income is accurately processed, banked and accounted for, and that processes for collecting and banking of income comply with the council's financial regulations and guidance. **Weaknesses** No significant control weaknesses were identified.	22 July 2015	None	
Council Tax & NNDR (2014/15)	Substantial Assurance	**Strengths** Refunds and write-offs appeared to be legitimate, correctly processed and authorised. **Weaknesses**	28 July 2015	None	

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Audit	Opinion	Comments	Date Issued	Key Agreed Actions[1]	Progress against key actions
		No significant control weaknesses were identified but a number of process improvements were highlighted including the building control notification process, inspections of properties with exemptions and authorisation limits for refunds.			
Savings Delivery (2014/15)	No Opinion Given.	**Strengths** Monitoring arrangements were effective and a RAG (Red, Amber, Green) system is in place to identify progress. **Weaknesses** No specific issues were identified relating to the latest reporting of	31 July 2015	None	

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Audit	Opinion	Comments	Date Issued	Key Agreed Actions[1]	Progress against key actions
		savings. However, a number of savings proposals identified did not have any supporting calculations or were based on estimates.			
Partnerships (2014/15)	Reasonable Assurance	**Strengths** The two partnerships that were reviewed were found to have adequate governance arrangements in place **Weaknesses** Reviews are not regularly undertaken to confirm whether it is appropriate for a partnership mandate to be in place or whether the partnership was delivering the desired outcomes for the council.	31 July 2015	A reference to the review of partnering arrangements (at least every five years) will be included within the Partnership Toolkit – with the extent and frequency of that review to be determined by reference to the nature/scale/risk associated with each individual partnership. The partnership toolkit will be attached to the council's shared filing area to ensure it can be accessed by council officers.	Due 31 Oct 2015

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Audit	Opinion	Comments	Date Issued	Key Agreed Actions[1]	Progress against key actions
PCI DSS Compliance (2014/15)	No Opinion Given.	**Strengths** Initial steps have been taken towards achieving compliance, such as the implementation of the Northgate PARIS web-based system in particular. **Weaknesses** The council has weaknesses to address including a lack of documented responsibility for compliance, a definition of the cardholder data environment, a lack of policies and procedures and compliance assurance from third parties along with non-completion of annual self-assessment	5th August 2015	This was a memo report. A full audit was planned; however weaknesses were identified at an early stage. Advice has been provided and a full audit is now planned for later in 2015 once the council has had an opportunity to implement the recommendations.	Due 31 Oct 2015

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Audit	Opinion	Comments	Date Issued	Key Agreed Actions[1]	Progress against key actions
		questionnaires.			
General Ledger (inc Budgetary Control and Bank Reconciliation) (2014/15)	Substantial Assurance	**Strengths** The processes for the authorisation and uploading of virements were sound, with adequate supporting documentation being held or available and posting permissions suitably restricted. **Weaknesses** Significant delays were observed in the completion and return of system reconciliations to Finance and, on some occasions, in Finance's verification of reconciliations following receipt. It is noted that the situation had shown some improvement	1st September 2015	The existence of the reconciliations issue has been recognised by Finance and highlighted as a priority. Work is ongoing to ensure that these are kept up to date. The intention over the longer term is to train staff in Business Support to take over the administration of this task in order to free up capacity within Finance for other tasks. Finance will retain overall responsibility, however.	Due 31 Dec 2015

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Audit	Opinion	Comments	Date Issued	Key Agreed Actions[1]	Progress against key actions
		from 2013/14 but the timeliness of these reconciliations remains a concern.			