

# **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](http://www.selby.gov.uk) or from Selby District Council, Civic Centre, Doncaster Road, Selby, North Yorkshire, YO8 9FT. Selby District Council will on request, provide this document in Braille, **large print** or audio format. If English is not your first language and you would like a translation of this document in an alternative language please telephone - 01757 705101.

## **LEADER'S FOREWORD**

The Statement of Accounts for 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

## **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'.

## EXPLANATORY FOREWORD

### 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.

## EXPLANATORY FOREWORD

### 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.

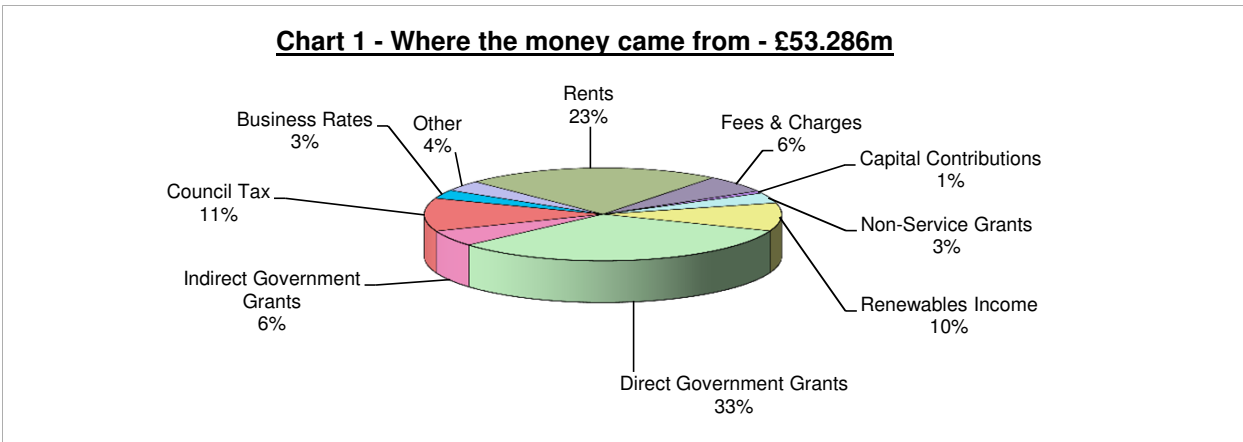


Chart 1 above shows income received in the year of £53.286m. 36% (£19.3m) of this is received from the government as formula (or indirect) grants, i.e. grants that are not ring-fenced for specific purposes, and direct grants, mainly to fund benefit payments. Council Tax provides a further £6.1m, which includes £1.6m for Parish Council precepts, and business rates contribute £1.6m, with £5.2m from renewables. Rents provide £12.4m of which £12m is from housing rents.

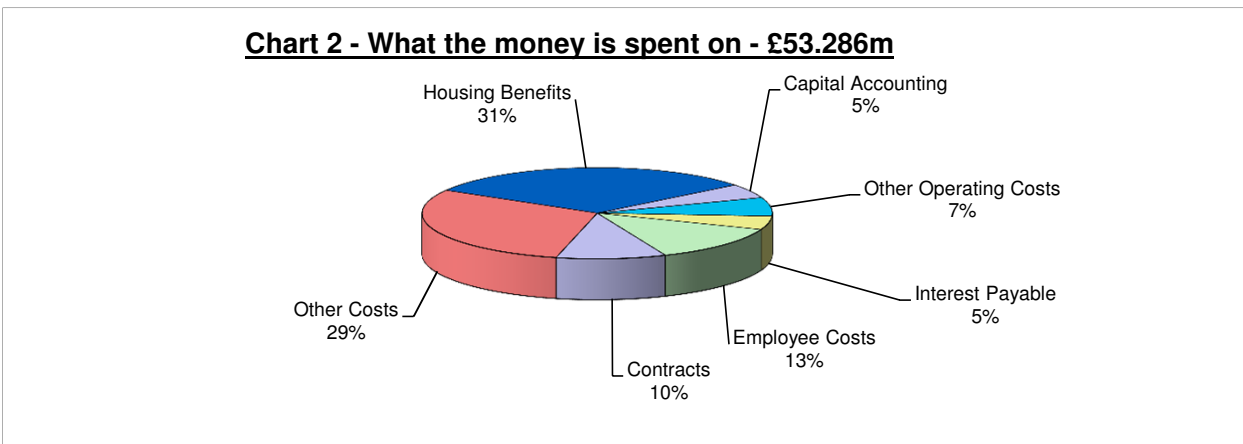


Chart 2 above shows that the largest proportion of the Council's money (£16.5m) is spent on Housing benefit payments. Other costs total £15.8m, which includes the running costs of services including the HRA, £6.8m was spent on employee costs, with contracts for recycling, refuse collection, street cleansing, 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.

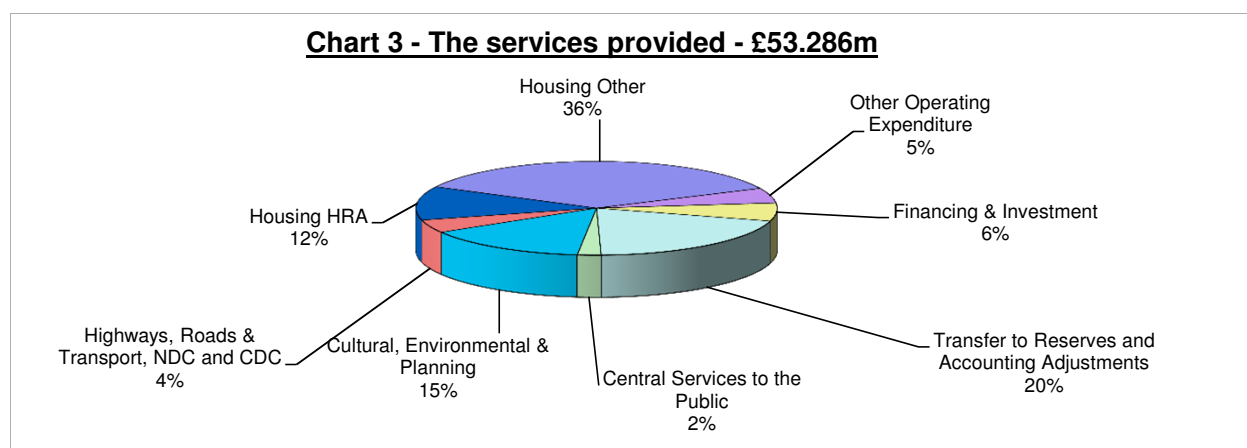
Chart 3 following shows the gross cost of the service provision by the Council as set out in the Comprehensive Income and Expenditure Statement (page 20) together with the other items of expenditure which have to be funded. The largest proportion of service expenditure (£18.9m) is Housing Services (non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

During the year a net £2.6m 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 (£6.7m).



## EXPLANATORY FOREWORD

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



### 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
<b>Net Operating Expenditure</b>	<b>11,683</b>	<b>11,970</b>	<b>287</b>
Revenue Support Grant	(2,520)	(2,520)	-
Non Service Related Government Grants	(1,840)	(2,818)	(978)
Renewables Income	-	(5,206)	(5,206)
Business Rates	(2,190)	(1,630)	560
Council Tax Precept (including parish precepts)	(5,999)	(5,999)	-
<b>Net (surplus) / deficit</b>	<b>(866)</b>	<b>(6,203)</b>	<b>(5,337)</b>
Other Non Cash Adjustments	1,452	10,192	8,740
Transfers to / (from) Reserves	(586)	(4,418)	(3,832)
<b>Transfers (to) / from GF Balances</b>	<b>-</b>	<b>(429)</b>	<b>(429)</b>

## EXPLANATORY FOREWORD

### 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.

<b>General Fund</b>		
	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 recycling 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 earmarked 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.

## EXPLANATORY FOREWORD

### 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)
<b>Net (surplus) / deficit</b>	<b>(3,862)</b>	<b>(4,430)</b>	<b>(568)</b>
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)
<b>(Surplus) / Deficit available for distribution</b>	<b>(1,024)</b>	<b>(1,250)</b>	<b>(226)</b>
<b>Transfers (to) / from MRR</b>	<b>(1,009)</b>	<b>(1,093)</b>	<b>(84)</b>
<b>Transfers (to) / from HRA Balances</b>	<b>(14)</b>	<b>(157)</b>	<b>(143)</b>

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.

## EXPLANATORY FOREWORD

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

<b>Housing Revenue Account</b>		
	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.
<b>Total</b>	<b>191</b>	

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%
<b>Total</b>	<b>9,560</b>	<b>100%</b>

## EXPLANATORY FOREWORD

### 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%
<b>Total</b>	<b>(9,560)</b>	<b>100%</b>

#### 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
<b>Total</b>	<b>9,022</b>

### 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 deficit on the Collection Fund of £2.4m. 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 deficit of £4.0m for non-domestic rates. Of the deficit £2.0m is owed by the central government and £403k by 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.

## **EXPLANATORY FOREWORD**

### **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 43 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 £7.3m to £66.4m. 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 £3.7m which reflects the removal of large debtor transactions in 2013/14 for business rates and safety net adjustments (£6.2m) offset by £3.2m for business rate year end transactions. Short-term creditors are reduced by £6.8m 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 £19.5m 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 99 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.

## EXPLANATORY FOREWORD

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

The remaining usable reserves include £12.3m 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 £2.6m in the year £2.1m 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 and 2015 deficits. 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 greater 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.

## EXPLANATORY FOREWORD

### 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.



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

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

The authority is required to:

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

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

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

In preparing this Statement of Accounts the Executive Director (s151) has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Local Authority Code.

The Executive Director (s151) has also:

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

### **Certification of the Accounts**

I hereby certify that the Statement of Accounts on pages 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**

29 September 2015

### **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**

29 September 2015

## **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.

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

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

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 and the December 2012 addendum;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

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

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission, 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

30 September 2015

	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
<b>Balance at 31 March 2012</b>	(2,290)	(7,794)	(1,639)	(1,083)	(871)	(505)	(228)	(14,410)	(30,939)	(45,349)
<b><u>Movement in reserves during 2012/13</u></b>										
(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
<b>Total Comprehensive Expenditure and Income</b>	<b>(4,376)</b>	<b>0</b>	<b>684</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,692)</b>	<b>3,050</b>	<b>(642)</b>
Restated Adjustments between accounting basis & funding basis under regulations (note 7)	2,555	0	(609)	0	754	(3,331)	0	(631)	631	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(1,821)</b>	<b>0</b>	<b>75</b>	<b>0</b>	<b>754</b>	<b>(3,331)</b>	<b>0</b>	<b>(4,323)</b>	<b>3,681</b>	<b>(642)</b>
Transfers to/from Earmarked Reserves (note 8)	2,566	(2,586)	(127)	147	0	0	0	0	0	0
<b>Increase/Decrease (movement) in Year</b>	<b>745</b>	<b>(2,586)</b>	<b>(52)</b>	<b>147</b>	<b>754</b>	<b>(3,331)</b>	<b>0</b>	<b>(4,323)</b>	<b>3,681</b>	<b>(642)</b>
<b>Restated Balance at 31 March 2013 carried forward</b>	<b>(1,545)</b>	<b>(10,380)</b>	<b>(1,691)</b>	<b>(936)</b>	<b>(117)</b>	<b>(3,836)</b>	<b>(228)</b>	<b>(18,733)</b>	<b>(27,258)</b>	<b>(45,991)</b>
<b><u>Movement in reserves during 2013/14</u></b>										
(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)
<b>Total Comprehensive Expenditure and Income</b>	<b>(1,220)</b>	<b>0</b>	<b>(3,310)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,530)</b>	<b>(8,592)</b>	<b>(13,122)</b>
Restated Adjustments between accounting basis & funding basis under regulations (note 7)	(3,005)	0	3,390	0	26	(273)	0	138	(138)	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(4,225)</b>	<b>0</b>	<b>80</b>	<b>0</b>	<b>26</b>	<b>(273)</b>	<b>0</b>	<b>(4,392)</b>	<b>(8,730)</b>	<b>(13,122)</b>
Transfers to/from Earmarked Reserves (note 8)	4,096	(4,146)	(488)	538	0	0	0	0	0	0
<b>Increase/Decrease (movement) in Year</b>	<b>(129)</b>	<b>(4,146)</b>	<b>(408)</b>	<b>538</b>	<b>26</b>	<b>(273)</b>	<b>0</b>	<b>(4,392)</b>	<b>(8,730)</b>	<b>(13,122)</b>
<b>Restated Balance at 31 March 2014 carried forward</b>	<b>(1,674)</b>	<b>(14,526)</b>	<b>(2,099)</b>	<b>(398)</b>	<b>(91)</b>	<b>(4,109)</b>	<b>(228)</b>	<b>(23,125)</b>	<b>(35,988)</b>	<b>(59,113)</b>

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
<b>Restated Balance at 31 March 2014</b>	(1,674)	(14,526)	(2,099)	(398)	(91)	(4,109)	(228)	(23,125)	(35,988)	(59,113)
<b>Movement in reserves during 2014/15</b>										
(Surplus) or deficit on provision of services	(6,306)	0	(4,430)	0	0	0	0	(10,736)	0	(10,736)
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	0	3,469	3,469
<b>Total Comprehensive Expenditure and Income</b>	<b>(6,306)</b>	<b>0</b>	<b>(4,430)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(10,736)</b>	<b>3,469</b>	<b>(7,267)</b>
Adjustments between accounting basis & funding basis under regulations (note 7)	9,189	0	4,018	0	(1,001)	2,106	0	14,312	(14,312)	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>2,883</b>	<b>0</b>	<b>(412)</b>	<b>0</b>	<b>(1,001)</b>	<b>2,106</b>	<b>0</b>	<b>3,576</b>	<b>(10,843)</b>	<b>(7,267)</b>
Transfers to/from Earmarked Reserves (note 8)	(2,883)	2,837	255	(209)	0	0	0	0	0	0
<b>Increase/Decrease (movement) in Year</b>	<b>0</b>	<b>2,837</b>	<b>(157)</b>	<b>(209)</b>	<b>(1,001)</b>	<b>2,106</b>	<b>0</b>	<b>3,576</b>	<b>(10,843)</b>	<b>(7,267)</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>(1,674)</b>	<b>(11,689)</b>	<b>(2,256)</b>	<b>(607)</b>	<b>(1,092)</b>	<b>(2,003)</b>	<b>(228)</b>	<b>(19,549)</b>	<b>(46,831)</b>	<b>(66,380)</b>

## COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2013/14				2014/15			Notes
Expenditure £'000	Income £'000	Net Exp. £'000		Expenditure £'000	Income £'000	Net Exp. £'000	
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 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	-	-	-	
<b>36,803</b>	<b>(33,824)</b>	<b>2,979</b>	<b>Cost of Services</b>	<b>36,477</b>	<b>(34,778)</b>	<b>1,699</b>	
		3,149	<b>Other Operating Expenditure</b>			2,755	9
		3,398	<b>Financing and Investment Income &amp; Expenditure</b>			3,113	10
		(14,056)	<b>Taxation and Non-Specific Grant Income</b>			(18,303)	11
		<b>(4,530)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(10,736)</b>	
			<b>Other Comprehensive Income and Expenditure</b>				
		(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
		<b>(8,592)</b>	<b>Total Other Comprehensive Income and Expenditure</b>			<b>3,469</b>	
		<b>(13,122)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(7,267)</b>	

## BALANCE SHEET

31-Mar-13 Restated £'000	31-Mar-14 Restated £'000		31-Mar-15		Notes
			£'000	£'000	
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
<b>120,281</b>	<b>120,624</b>	<b>Total Long Term Assets</b>	<b>124,100</b>		
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	6,116		18,19,22
1,385	10,706	Cash and Cash Equivalents	15,027		23
<b>16,779</b>	<b>28,573</b>	<b>Total Current Assets</b>	<b>30,189</b>		
<b>137,060</b>	<b>149,197</b>	<b>Total Assets</b>		<b>154,289</b>	
(620)	(621)	Short Term Borrowing	(629)		18
(3,411)	(9,956)	Short Term Creditors	(3,162)		24
-	(514)	Provisions	(474)		25
(4)	-	Revenue Grants Receipts In Advance	(153)		37
<b>(4,035)</b>	<b>(11,091)</b>	<b>Total Current Liabilities</b>	<b>(4,418)</b>		
(60,299)	(60,299)	Long Term borrowing	(60,299)		18
(25,595)	(17,957)	Other Long Term Liabilities:			
(1,140)	(737)	Defined Benefit Pension Scheme	(22,869)		43
		Finance Leases	(323)		40
<b>(87,034)</b>	<b>(78,993)</b>	<b>Total Long Term Liabilities</b>	<b>(83,491)</b>		
<b>(91,069)</b>	<b>(90,084)</b>	<b>Total Liabilities</b>		<b>(87,909)</b>	
<b>45,991</b>	<b>59,113</b>	<b>Net Assets</b>		<b>66,380</b>	
(18,733)	(23,125)	<b>Usable Reserves</b>		(19,549)	26
(27,258)	(35,988)	<b>Unusable Reserves</b>		(46,831)	27
<b>(45,991)</b>	<b>(59,113)</b>	<b>Total Reserves</b>		<b>(66,380)</b>	

Karen Iveson  
CPFA  
Executive Director (s151)

Dated 29 September 2015



## CASH FLOW STATEMENT

2013/14 £'000		2014/15 £'000	Notes
(4,530)	Net (Surplus)/Deficit on the Provision of Services	(10,736)	
(7,405)	Adjustments to net (surplus)/deficit on the provision of services for non-cash movements	(5,203)	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
<b>(7,679)</b>	<b>Net Cash Flow from Operating Activities</b>	<b>(14,106)</b>	
(1,617)	<b>Investing Activities</b>	5,963	29
(25)	<b>Financing Activities</b>	3,822	30
<b>(9,321)</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>(4,321)</b>	
<b>(1,385)</b>	Cash and cash equivalents at the beginning of the reporting period	<b>(10,706)</b>	
<b>(10,706)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>(15,027)</b>	23

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 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
<b>Cash Flow Statement</b>			
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
<b>Net Cash Flow from Operating Activities</b>	(22,353)	14,674	(7,679)
<b>Investing Activities</b>	(1,617)	-	(1,617)
<b>Financing Activities</b>	14,649	(14,674)	(25)
<b>Net increase or decrease in cash and cash equivalents</b>	(9,321)	-	(9,321)
<b>Total Movement</b>		-	
<b>Note 28 - Cash Flow Operating Activities</b>			
Movement in debtors	(16,265)	14,674	(1,591)
<b>Total Movement</b>		<b>14,674</b>	
<b>Note 30 - Financing Activities</b>			
Other payments for financing activities	14,244	(14,674)	(430)
<b>Total Movement</b>		<b>(14,674)</b>	

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 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
<b>2012/13 Transactions:</b>			
<b>Movement in Reserves Statement</b>			
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
<b>Total Movement</b>		-	
<b>Balance Sheet</b>			
- Usable Reserves	(19,908)	1,175	(18,733)
- Unusable Reserves	(26,083)	(1,175)	(27,258)
<b>Total Movement</b>		-	
<b>Note to the Movement on the Housing Revenue Account Statement</b>			
- 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)
<b>Total Movement</b>		-	
<b>2013/14 Transactions:</b>			
<b>Movement in Reserves Statement</b>			
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)
<b>Total Movement</b>		-	
<b>Balance Sheet</b>			
- Usable Reserves	(25,475)	2,350	(23,125)
- Unusable Reserves	(33,638)	(2,350)	(35,988)
<b>Total Movement</b>		-	
<b>Note to the Movement on the Housing Revenue Account Statement</b>			
- Transfer to / (from) Major Repairs Reserve	2,577	(1,175)	1,402
- Transfer to / (from) the Capital Adjustment Account	(1,578)	1,175	(403)
<b>Total Movement</b>		-	

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

### **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.

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

### **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.

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

### **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.

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

### **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.

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

### **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.



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

### **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.

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

### **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.

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

### **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.

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

### **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.

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

### **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.

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

### **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 incurs 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).

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

### **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.

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

### **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.



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

### **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.

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

### **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.

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

### **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.

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

### **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.

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

### **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.

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

### **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

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

### **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.

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

### **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.



## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### **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	-
-	Renewable Energy Income	(5,206)

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.

The Valuation Officer has determined that part of the rating income collected is due to renewable energy. This element is 100% allocated to this Council and is not part of the split income scheme. While this puts the Council's share of the remaining income into a deficit position overall the Council gains.

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

The Statement of Accounts was authorised for issue by the Executive Director s151 on 29 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.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

An adjusting post balance sheet date amendment has been made to the accounts to reflect the notification after 31 March 2015 of the level of renewables income that would be due to the Council following a reassessment of rateable values. If this adjustment was not included in the 2014/15 accounts and government return the income would be lost to the Council.

### 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.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 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
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Charges for depreciation and impairment of non-current assets	(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
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
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)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	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	-	-

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 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
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	(2)	-	2
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
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)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(5)	-	-	-	-	5
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 43)	(1,387)	(295)	-	-	-	1,682
Employer's pensions contributions and direct payments to pensioners payable in the year	1,102	197	-	-	-	(1,299)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
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	6,735	-	-	-	-	(6,735)
Cost of Services	<b>9,189</b>	<b>4,018</b>	<b>(1,001)</b>	<b>2,106</b>	<b>-</b>	<b>(14,312)</b>

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 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
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Charges for depreciation and impairment of non-current assets	(2,089)	(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
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
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)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(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	-	-

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 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
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	(5)	-	5
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
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)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	1	-	-	-	-	(1)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 39)	(1,415)	(582)	-	-	-	1,997
Employer's pensions contributions and direct payments to pensioners payable in the year	1,028	199	-	-	-	(1,227)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
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
<b>Cost of Services</b>	<b>(3,005)</b>	<b>3,390</b>	<b>26</b>	<b>(273)</b>	<b>-</b>	<b>(138)</b>

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 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
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Charges for depreciation and impairment of non-current assets	(1,374)	(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
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
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)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	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	-	-

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 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
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	(7)	-	7
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
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)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	1	-	-	-	-	(1)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 39)	(1,539)	(368)	-	-	-	1,907
Employer's pensions contributions and direct payments to pensioners payable in the year	1,004	197	-	-	-	(1,201)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(19)	-	-	-	-	19
Cost of Services	<b>2,555</b>	<b>(609)</b>	<b>754</b>	<b>(3,331)</b>	-	<b>631</b>



## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 8. Earmarked Reserves

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

	Balance at 31-Mar-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
<b>General Fund</b>								
Access Selby	(438)	-	(202)	(640)	141	(103)	(602)	8.1
Building Repairs	(563)	19	(130)	(674)	536	(130)	(268)	8.2
Business Rates Equalisation	(300)	158	(3,468)	(3,610)	1,609	(361)	(2,362)	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
<b>Total</b>	(10,380)	2,722	(6,868)	(14,526)	6,695	(3,858)	(11,689)	
<b>Housing Revenue Account</b>								
Carried Fw'd	(936)	936	(398)	(398)	398	(607)	(607)	8.5
<b>Total</b>	(936)	936	(398)	(398)	398	(607)	(607)	

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

### **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.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 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	<b>Total</b>	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	<b>Total</b>	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	(15,484)
12,758	NDR top-ups/tariffs and safety net income	13,854
(3,229)	Revenue Support Grant	(2,520)
(303)	Small Business Empty Property Rate Relief	(467)
(9)	Renewable Energy Rating Income	(5,206)
(1,405)	Non Service Related Government Grants	(1,938)
(1,568)	Recognised Capital Grants and Contributions	(413)
(14,056)	<b>Total</b>	(18,303)

### 12. Property, Plant and Equipment

#### Movement on Non-Current Assets

The tables on the following two pages 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.

**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

**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.

2014/2015	PROPERTY PLANT AND EQUIPMENT									
	Council Dwellings £'000	Other Land and Buildings £'000	Assets under Construction £'000	Surplus Assets £'000	Infra-structure £'000	Community Assets £'000	Vehicles Plant & Equipment £'000	Total Valued Assets £'000	Leased Vehicles & Equipment £'000	Total £'000
<b>Tangible Assets</b>										
Cost or Valuation at 31 March 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)
<b>Movement in 2014/2015</b>										
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)
<b>Value as at 31 March 2015</b>	<b>99,532</b>	<b>23,160</b>	<b>16</b>	<b>-</b>	<b>281</b>	<b>179</b>	<b>2,359</b>	<b>125,527</b>	<b>2,635</b>	<b>128,162</b>
<b>Accumulated Depreciation and Impairment</b>										
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
<b>Movement in 2014/2015</b>										
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	-	-	-	-	-	-	-	-	-	-
<b>Value as at 31 March 2015</b>	<b>(1,241)</b>	<b>(64)</b>	<b>-</b>	<b>-</b>	<b>(126)</b>	<b>(40)</b>	<b>(1,533)</b>	<b>(3,004)</b>	<b>(1,920)</b>	<b>(4,924)</b>
<b>Net Book Value</b>										
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 EQUIPMENT									
	Council Dwellings £'000	Other Land and Buildings £'000	Assets under Construction £'000	Surplus Assets £'000	Infra-structure £'000	Community Assets £'000	Vehicles Plant & Equipment £'000	Total Valued Assets £'000	Leased Vehicles & Equipment £'000	Total £'000
<b>Tangible Assets</b>										
Cost or Valuation at 31 March 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)
<b>Movement in 2013/2014</b>										
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)
<b>Value as at 31 March 2014</b>	<b>98,658</b>	<b>15,615</b>	<b>2,035</b>	<b>-</b>	<b>280</b>	<b>172</b>	<b>2,129</b>	<b>118,889</b>	<b>2,680</b>	<b>121,569</b>
<b>Accumulated Depreciation and Impairment</b>										
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
<b>Movement in 2013/2014</b>										
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	-	-	-	-	-	-	-	-	-	-
<b>Value as at 31 March 2014</b>	<b>(1,197)</b>	<b>(996)</b>	<b>(52)</b>	<b>-</b>	<b>(100)</b>	<b>(38)</b>	<b>(1,359)</b>	<b>(3,742)</b>	<b>(1,560)</b>	<b>(5,302)</b>
<b>Net Book Value</b>										
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

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 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)
<b>Buildings</b>	
Council Dwellings - Traditional Construction	60
Council Dwellings - Non-Traditional Construction	20 - 40
Garages	10
Operational Buildings	10 - 36
Non-Operational Buildings	20 - 25
<b>Other Assets</b>	
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
<b>Total</b>	<b>4,215</b>	<b>14,420</b>	

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 Stephenson's. 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
<b>Valued at historical cost:</b>	-	-	-
<b>Valued at current value :</b>	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
-	<b>Opening Balance</b>	-
-	Transfers: (to)/from Property, Plant and Equipment	520
-	Net gains/(losses) from fair value adjustments	(20)
-	<b>Closing Balance</b>	<b>500</b>

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 17. Intangible Assets

2013/14				2014/15		
Software Licenses £'000	Other Intangible £'000	Total £'000		Software Licenses £'000	Other Intangible £'000	Total £'000
			<b>Balance at start of year</b>			
634	145	779	Original Cost	329	111	440
(491)	(134)	(625)	Accumulated amortisation	(262)	(111)	(373)
<b>143</b>	<b>11</b>	<b>154</b>	<b>Net carrying amount at start of year</b>	<b>67</b>	<b>-</b>	<b>67</b>
-	-	-	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	-	-	-
<b>67</b>	<b>-</b>	<b>67</b>	<b>Net carrying amount at end of year</b>	<b>-</b>	<b>-</b>	<b>-</b>
			Comprising:			
329	111	440	Gross carrying amounts	329	111	440
(262)	(111)	(373)	Accumulated amortisation	(329)	(111)	(440)
<b>67</b>	<b>-</b>	<b>67</b>		<b>-</b>	<b>-</b>	<b>-</b>

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.



## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

### 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	-	-
<b>Total Long Term Debtors</b>	<b>260</b>	<b>355</b>	<b>19</b>	<b>17</b>

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 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	-	-	-	-
<b>2,604</b>	-	-	<b>2,604</b>	<b>Interest Payable &amp; Similar Charges</b>	<b>2,551</b>	-	-	<b>2,551</b>
-	(248)	(1)	(249)	Interest income	-	(213)	(1)	(214)
-	-	-	-	Gains on derecognition	-	-	-	-
-	<b>(248)</b>	<b>(1)</b>	<b>(249)</b>	<b>Interest &amp; Investment Income</b>	<b>-</b>	<b>(213)</b>	<b>(1)</b>	<b>(214)</b>
-	-	-	-	Gains on Revaluation	-	-	-	-
-	-	2	2	Losses on Revaluation	-	-	-	-
-	-	-	-	Amounts recycled to the I&E Account after impairment	-	-	-	-
-	-	2	2	<b>Surplus arising on the revaluation of financial assets</b>	-	-	-	-
<b>2,604</b>	<b>(248)</b>	<b>1</b>	<b>2,357</b>	<b>Net gain/(loss) for the year</b>	<b>2,551</b>	<b>(213)</b>	<b>(1)</b>	<b>2,337</b>

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;

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

	31 March 2014		31 March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'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		31 March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'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		31 March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'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		Building Maintenance		Total	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Opening Balance</b>	<b>10</b>	-	<b>8</b>	<b>7</b>	<b>18</b>	<b>7</b>
Purchases in Year	-	-	272	300	<b>272</b>	<b>300</b>
Usage in Year	(10)	-	(273)	(299)	<b>(283)</b>	<b>(299)</b>
<b>Closing Balance</b>	-	-	<b>7</b>	<b>8</b>	<b>7</b>	<b>8</b>

**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

**22. Debtors & Prepayments**

31-Mar-14 £'000		31-Mar-15 £'000
4,967	Amounts falling due in one year:	
995	Central Government Bodies	3,111
5,072	Other Local Authorities	451
	Other Entities and Individuals	3,904
<b>11,034</b>		<b>7,466</b>
(1,257)	Less Provision for Bad Debts	(1,367)
<b>9,777</b>	<b>Total</b>	<b>6,099</b>

**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
<b>Total</b>	<b>10,706</b>	<b>15,027</b>	<b>4,321</b>

**24. Creditors**

31-Mar-14 £'000		31-Mar-15 £'000
(6,129)	Central Government Bodies	-
(145)	Other Local Authorities	(542)
(3,181)	Other Entities and Individuals	(2,023)
(501)	Section 106 Receipts (see note 24.1)	(597)
<b>(9,956)</b>	<b>Total</b>	<b>(3,162)</b>

**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)
<b>Total</b>	<b>(501)</b>	<b>(162)</b>	<b>66</b>	<b>(597)</b>

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 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
<b>Balance at 1 April 2013</b>	-	-	-
Additional provisions made in 2013/14	-	(514)	(514)
Amounts used in 2013/14	-	-	-
Unused amounts reversed in 2013/14	-	-	-
<b>Balance at 31 March 2014</b>	-	<b>(514)</b>	<b>(514)</b>
Additional provisions made in 2014/15	(52)	-	(52)
Amounts used in 2014/15	-	88	88
Unused amounts reversed in 2014/15	-	4	4
<b>Balance at 31 March 2015</b>	<b>(52)</b>	<b>(422)</b>	<b>(474)</b>

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.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

2012/13 Restated £'000	2013/14 Restated £'000		2014/15 £'000	Note
		<b>Usable Reserves</b>		
(1,545)	(1,674)	General Fund	(1,674)	26.1
(11,316)	(14,924)	Earmarked Reserves	(12,296)	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
<b>(18,733)</b>	<b>(23,125)</b>	<b>Total</b>	<b>(19,549)</b>	

#### 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. Its 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.

**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

**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
		<b>Unusable Reserves</b>		
		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	(3,785)	27.7
<b>(27,258)</b>	<b>(35,988)</b>	<b>Total</b>	<b>(46,831)</b>	

**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
<b>(1,986)</b>	<b>Balance brought forward at 1 April</b>	<b>(2,098)</b>
(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
<b>(186)</b>	Surplus/(Deficit) on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services	<b>(1,060)</b>
74	Difference between fair value depreciation and historical cost depreciation	251
-	Accumulated gains on assets sold or scrapped	1
<b>74</b>	Amount written off to the Capital Adjustment Account	<b>252</b>
<b>(2,098)</b>	<b>Balance carried forward at 31 March</b>	<b>(2,906)</b>

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 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	<b>Balance brought forward at 1 April</b>	4
2	Upward revaluation of investments	-
-	Downward revaluation of investments not charged to the surplus/deficit on the Provision of Services	-
2	<b>Total movement on the reserve in Year</b>	-
4	<b>Balance carried forward at 31 March</b>	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)	<b>Balance brought forward at 1 April</b>	(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)
<b>7,054</b>	<b>4,372</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>2,657</b>



## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

#### 27.3. Capital Adjustment Account continued .....

2012/13 Restated £'000	2013/14 Restated £'000		2014/15 £'000
<b>7,054</b>	<b>4,372</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>2,657</b>
		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)
<b>(7,228)</b>	<b>(8,457)</b>	<b>Total</b>	<b>(10,930)</b>
-	<b>20</b>	Loan Adjustments	<b>34</b>
-	-	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	<b>20</b>
<b>(50,745)</b>	<b>(54,810)</b>	<b>Balance carried forward at 31 March</b>	<b>(63,029)</b>

#### 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
<b>17</b>	<b>Balance brought forward at 1 April</b>	<b>11</b>
(1)	Overhanging Loan Premiums	-
(5)	Soft Loan adjustment	5
<b>(6)</b>	<b>Total movement on the account in Year</b>	<b>5</b>
<b>11</b>	<b>Balance carried forward at 31 March</b>	<b>16</b>

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 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)	<b>Balance brought forward at 1 April</b>	(2)
5	Principal Repayments in year transferred to the Capital Receipts Reserve	2
(2)	<b>Balance carried forward at 31 March</b>	-

#### 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
<b>25,595</b>	<b>Balance brought forward at 1 April</b>	<b>17,957</b>
(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)
<b>17,957</b>	<b>Balance carried forward at 31 March</b>	<b>22,869</b>

**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

**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
<b>(134)</b>	<b>Balance brought forward at 1 April</b>	<b>2,950</b>
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	(6,735)
<b>2,950</b>	<b>Balance carried forward at 31 March</b>	<b>(3,785)</b>

**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	(272)
(1,591)	Movement in debtors	(1,075)
(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)
<b>(7,405)</b>		<b>(5,203)</b>

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	-
<b>4,256</b>		<b>1,833</b>

**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

**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
<b>2,312</b>		<b>2,321</b>

**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)
<b>(1,617)</b>	<b>Net cash flow from investing activities</b>	<b>5,963</b>

**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	3,416
<b>(25)</b>	<b>Net cash flow from financing activities</b>	<b>3,822</b>

**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.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

2014/15	Core £'000	Access Selby £'000	Community Selby £'000	TOTALS £'000
<b>Income</b>				
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)
<b>Total Income</b>	<b>(12,767)</b>	<b>(32,444)</b>	<b>(276)</b>	<b>(45,487)</b>
<b>Expenditure</b>				
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
<b>Gross Expenditure</b>	<b>15,976</b>	<b>32,183</b>	<b>262</b>	<b>48,421</b>
<b>Net Services Expenditure</b>	<b>3,209</b>	<b>(261)</b>	<b>(14)</b>	<b>2,934</b>
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)
<b>Net Expenditure</b>	<b>8,890</b>	<b>(221)</b>	<b>(14)</b>	<b>8,655</b>

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 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
<b>Income</b>				
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)
<b>Total Income</b>	<b>(11,803)</b>	<b>(32,104)</b>	<b>(252)</b>	<b>(44,159)</b>
<b>Expenditure</b>				
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
<b>Gross Expenditure</b>	<b>13,648</b>	<b>31,550</b>	<b>244</b>	<b>45,442</b>
<b>Net Services Expenditure</b>	<b>1,845</b>	<b>(554)</b>	<b>(8)</b>	<b>1,283</b>
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
<b>Net Expenditure</b>	<b>13,958</b>	<b>(554)</b>	<b>(8)</b>	<b>13,396</b>

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)
<b>2,979</b>	<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>1,699</b>

**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 Management £'000	Amounts Not Included in CIES £'000	Net Cost of Service £'000	Corporate Amounts £'000	Net Position £'000
<b>Income</b>						
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	-	-	-	-	(12,982)	(12,982)
Gain on disposal of Non-current assets/Other Capital Receipts	-	-	-	-	(812)	(812)
<b>Total Income</b>	<b>(34,900)</b>	<b>-</b>	<b>211</b>	<b>(34,689)</b>	<b>(19,320)</b>	<b>(54,009)</b>
<b>Expenditure</b>						
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)
<b>Gross Expenditure</b>	<b>43,555</b>	<b>(15)</b>	<b>(7,152)</b>	<b>36,388</b>	<b>6,885</b>	<b>43,273</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>8,655</b>	<b>(15)</b>	<b>(6,941)</b>	<b>1,699</b>	<b>(12,435)</b>	<b>(10,736)</b>

**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

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

**Reconciliation to Subjective Analysis continued .....**

<b>2013/14</b>	<b>Core, Access &amp; Community £'000</b>	<b>Amounts Not Reported to Managem't £'000</b>	<b>Amounts Not Included in CIES £'000</b>	<b>Net Cost of Service £'000</b>	<b>Corporate Amounts £'000</b>	<b>Net Position £'000</b>
<b>Income</b>						
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)
<b>Total Income</b>	<b>(34,102)</b>	<b>(200)</b>	<b>478</b>	<b>(33,824)</b>	<b>(14,510)</b>	<b>(48,334)</b>
<b>Expenditure</b>						
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)	-	-	-
<b>Gross Expenditure</b>	<b>47,498</b>	<b>692</b>	<b>(11,387)</b>	<b>36,803</b>	<b>7,001</b>	<b>43,804</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>13,396</b>	<b>492</b>	<b>(10,909)</b>	<b>2,979</b>	<b>(7,509)</b>	<b>(4,530)</b>



## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

<b>2014/15</b>	Total Remuneration				Total Remuneration
Post Title	Salary (including fees & allowances) £'000	Benefits in Kind (car allowance) £'000	excluding pension contributions 2013/14 £'000	Employers pension contributions £'000	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.

<b>2013/14</b>	Total Remuneration				Total Remuneration
Post Title	Salary (including fees & allowances) £'000	Benefits in Kind (car allowance) £'000	excluding pension contributions 2012/13 £'000	Employers pension contributions £'000	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.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 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		
		2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	
£'000	£'000							£'000	£'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

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 Rescue 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
<b>255</b>	<b>Total</b>	<b>233</b>

### 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	-
<b>79</b>	<b>Total</b>	<b>73</b>

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.

**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

**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
	<b><u>Credited to Taxation and Non-specific Grant Income</u></b>	
(3,229)	Revenue Support Grant	(2,520)
(303)	Small Business Empty Property Rate Relief	(467)
(9)	Renewable Energy	(5,206)
	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)
<b>(6,514)</b>	<b>Total</b>	<b>(10,544)</b>
	<b><u>Credited to Services</u></b>	
	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)
<b>(17,315)</b>	<b>Total</b>	<b>(17,387)</b>

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
<b><u>Grants Receipts in Advance (Revenue Grants)</u></b>				
Individual Election Registration	-	-	-	(16)
Transformation Challenge Award	-	-	-	(137)
<b>Total</b>	-	-	-	<b>(153)</b>

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 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	-
<b>3</b>	<b>160</b>	<b>-</b>	<b>Total</b>	<b>6</b>	<b>234</b>	<b>-</b>

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.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 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	-
<b>4,449</b>	<b>21</b>	<b>Total Payments</b>	<b>4,621</b>	<b>12</b>

#### 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).

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 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
<b>61,564</b>	<b>Opening Capital Financing Requirement</b>		<b>59,793</b>
	<b>Capital investment</b>		
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	
<b>6,861</b>	<b>Total Capital Investment</b>		<b>9,585</b>
	<b>Sources of finance</b>		
(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)
<b>59,793</b>	<b>Closing Capital Financing Requirement</b>		<b>58,266</b>
	<b>Explanation of movements in year</b>		
-	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)
<b>(1,771)</b>	<b>Increase / (decrease) in Capital Financing Requirement</b>		<b>(1,527)</b>

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 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
<b>1,120</b>		<b>715</b>

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

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
<b>1,194</b>		<b>762</b>

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	-	-	-	-
	<b>1,194</b>	<b>762</b>	<b>1,143</b>	<b>737</b>



## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 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	-
<b>48</b>		<b>375</b>

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)	-
<b>102</b>		<b>79</b>

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
<b>102</b>		<b>79</b>

#### Authority as a Lessor

#### Finance Leases

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

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

### **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	-
<b>112</b>		<b>109</b>

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

### **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 industrial units and the reclassification 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.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 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
	<b>Comprehensive Income and Expenditure Statement</b>	
	<i>Net Cost of Services:</i>	
930	current service cost	917
-	past service costs (gains)	-
-	settlement and curtailments	-
18	administration expenses	19
	<i>Financing and Investment Income and Expenditure:</i>	
1,049	net interest expense	746
<b>1,997</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>1,682</b>
	<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	
(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
<b>(8,408)</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>4,529</b>
	<b>Movement in Reserves Statement</b>	
(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)
	<b>Actual Amount charged against the General Fund Balance for pensions in the year:</b>	
1,227	employers' contributions payable to the scheme	1,299

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 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)
<b>17,957</b>	<b>Net liability arising from defined benefit obligation</b>	<b>22,869</b>

#### Reconciliation of the Movements in the Fair Value of Scheme Assets

2013/14 £'000		2014/15 £'000
<b>30,827</b>	<b>Opening Fair Value of Scheme Assets</b>	<b>35,353</b>
1,288	Interest income	1,559
	Remeasurement gain/(loss)	
	- the return on plan assets, excluding the amount included in the net interest expense	
3,579		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)
<b>35,353</b>	<b>Closing Fair Value of Scheme Assets</b>	<b>40,353</b>

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

2013/14 £'000		2014/15 £'000
<b>(56,422)</b>	<b>Opening Balance at 1 April</b>	<b>(53,310)</b>
(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
<b>(53,310)</b>	<b>Closing Balance at 31 March</b>	<b>(63,222)</b>

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 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
<b>35,353</b>	<b>Total Assets</b>	<b>40,353</b>

#### 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.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 43. Retirement Benefits continued .....

The main assumptions used in their calculations have been:

At 31-Mar-14		At 31-Mar-15
	<i>Long-term expected rate of return on assets in the scheme</i>	
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
	<i>Longevity at 65 for current pensioners (in years):</i>	
23.0	Men	23.1
25.5	Women	25.6
	<i>Longevity at 65 for future pensioners (in years):</i>	
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.

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

### **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.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 uncollectability 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 uncollectability 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.



## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 it 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.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

**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) (60)	Council Tax precept for year (District & Parish) (Surplus)/Deficit payable/repayable in year	(5,999) (74)
(5,840) (24)	Total Council Tax payable to Council in year Movement in Collection Fund Adjustment Account in year	(6,073) (56)
<b>(5,864)</b>	<b>Council Tax due to Council</b>	<b>(6,129)</b>

**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) 3,117	Non-domestic rates due for year (Surplus)/Deficit payable/repayable in year	(16,761) 1,277
<b>(14,436)</b>	<b>Non-domestic rates due to Council</b>	<b>(15,484)</b>

**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.

## 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
	<u>Expenditure</u>		
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
<b>6,322</b>	<b>Total Expenditure</b>	<b>6,211</b>	
	<u>Income</u>		
(11,788)	Dwelling rents	(12,335)	
(117)	Non-dwelling rents	(124)	
(155)	Charges for Services and Facilities	(228)	
(377)	Contributions towards expenditure	(26)	
<b>(12,437)</b>	<b>Total Income</b>	<b>(12,713)</b>	
<b>(6,115)</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income &amp; Expenditure Statement</b>	<b>(6,502)</b>	
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	
<b>(5,904)</b>	<b>Net Expenditure / (Income) for HRA Services</b>	<b>(6,267)</b>	
	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	-	
<b>(3,310)</b>	<b>(Surplus) / Deficit for the year on HRA services</b>	<b>(4,430)</b>	

**MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT**

2013/14 £'000		2014/15 £'000	Notes
(1,691)	<b>Balance on the HRA at the end of the previous year</b>	(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	
<b>(408)</b>	<b>(Increase) / Decrease in year on the HRA</b>	<b>(157)</b>	
<b>(2,099)</b>	<b>Balance on the HRA at the end of the current year</b>	<b>(2,256)</b>	

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

2012/13 Restated £'000	2013/14 Restated £'000		2014/15 £'000	Notes
		<u>Adjustments between accounting basis and funding under statute</u>		
-	-	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)	
<b>(609)</b>	<b>3,390</b>	<b><u>Total Adjustments between accounting basis and funding under statute</u></b>	<b>4,018</b>	
		<u>Transfers to or (from) earmarked reserves</u>		
(147)	(538)	Transfer to / (from) Housing Carry Forward Budget Reserve	209	
20	50	Transfer to / (from) ICT Reserve	46	
<b>(127)</b>	<b>(488)</b>	<b><u>Total Transfers to / (from) reserves</u></b>	<b>255</b>	

## 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
<b>1,317</b>	<b>Total</b>	<b>1,348</b>

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
<b>1,317</b>	<b>Total</b>	<b>1,348</b>

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	-
<b>267</b>	<b>Total</b>	<b>252</b>

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.

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 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)	<b>Opening Balance</b>	(91)
(1,272)	(1,312)	Amount transferred to the reserve from the Capital Adjustment Account	(1,310)
(2,294)	(2,639)	Amount transferred to / (from) the reserve to the Housing Revenue Account:	
		- non-current assets	(2,654)
4,320	3,977	Debits to the reserve in respect of HRA capital expenditure on:	
		- houses	2,963
(117)	(91)	<b>Closing Balance</b>	(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
<b>97,539</b>	<b>99,572</b>	<b>Total</b>	<b>99,572</b>	<b>101,087</b>

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

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

### 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.

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 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
	<b>Disposal of Assets:</b>	
742	Houses	1,236
41	Land	2
<b>783</b>		<b>1,238</b>
-	Principal Repaid on Housing Advances	-
-	Repayment of discount received on Right to Buy sales	6
<b>783</b>	<b>Total</b>	<b>1,244</b>

### 7. Capital Expenditure

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

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

### 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	-
<b>73</b>	<b>Total</b>	<b>138</b>



## NOTES TO THE HOUSING REVENUE ACCOUNT

### 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
<b>3,126</b>	<b>Total</b>		<b>3,099</b>

### 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
<b>2,456</b>	<b>Total</b>	<b>2,414</b>

In accordance with the calculation for the Capital Asset Charges Accounting Adjustment, interest is payable on the mid-year HRA capital financing requirement, except that where the CFR is negative, 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**

2013/14			2014/15		Notes
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000	
		<b>Income</b>			
(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)	-	(43,849)	3
-	-	Transitional protection payments	-	(13)	
<b>(43,373)</b>	<b>(41,940)</b>	<b>Total Income</b>	<b>(45,139)</b>	<b>(43,862)</b>	
		<b>Expenditure</b>			
42,622	21,951	Precepts and demands	43,932	26,157	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)	
-	121	Transfers to General Fund	-	118	
		- Costs of collection	-		
		Contributions			
445	-	- Towards previous year's Collection Fund Surplus	549	(6,949)	
<b>43,203</b>	<b>49,733</b>	<b>Total Expenditure</b>	<b>44,687</b>	<b>40,106</b>	
<b>(170)</b>	<b>7,793</b>	<b>(Surplus) / Deficit for the year</b>	<b>(452)</b>	<b>(3,756)</b>	
		<b>COLLECTION FUND BALANCE</b>			
<b>(994)</b>	<b>-</b>	<b>Balance Brought Forward</b>	<b>(1,164)</b>	<b>7,793</b>	
(170)	7,793	(Surplus) / Deficit for the year	(452)	(3,756)	
<b>(1,164)</b>	<b>7,793</b>	<b>Balance Carried Forward</b>	<b>(1,616)</b>	<b>4,037</b>	8

## 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
<b>Total</b>	<b>32,864</b>		<b>30,658</b>	
Impact of anticipated changes to council tax base			-	
Reduction due to the council tax reduction scheme			(2,195)	
Less allowance for non-collection			(375)	
<b>COUNCIL TAX BASE</b>			<b>28,088</b>	

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

The basic amount of Council Tax, 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.

**NOTES TO THE COLLECTION FUND**

**3. Income from business ratepayers**

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate. With effect from 1 April 2013 the total amount, less certain reliefs and other deductions is 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	21,967
<b>42,622</b>	<b>21,951</b>	<b>Total</b>	<b>43,932</b>	<b>26,157</b>
-	21,942	Central Government	-	20,951
<b>42,622</b>	<b>43,893</b>	<b>Total</b>	<b>43,932</b>	<b>47,108</b>

**5. Bad and Doubtful Debts**

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

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)
<b>(23)</b>	<b>(170)</b>	<b>Net (increase)/decrease in provision in year</b>	<b>(7)</b>	<b>129</b>
(555)	(656)	Balance at 1 April	(578)	(826)
<b>(578)</b>	<b>(826)</b>	<b>Balance at 31 March</b>	<b>(585)</b>	<b>(697)</b>

## NOTES TO THE COLLECTION FUND

### 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 (18)	27 (96)	Write-offs during the year	26 (27)	75 (24)
		Contributions to provisions during the year		
<b>(3)</b>	<b>(69)</b>	<b>Net (increase)/decrease in provision in year</b>	<b>(1)</b>	<b>51</b>
(74)	(262)	Balance at 1 April	(77)	(331)
<b>(77)</b>	<b>(331)</b>	<b>Balance at 31 March</b>	<b>(78)</b>	<b>(280)</b>

### 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
-	<b>(1,285)</b>	<b>Net (increase)/decrease in provision in year</b>	-	<b>230</b>
-	-	Balance at 1 April	-	(1,285)
-	<b>(1,285)</b>	<b>Balance at 31 March</b>	-	<b>(1,055)</b>

## 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	750	2,080
Non Domestic Rates Prepayments	(386)	144	(242)
<b>Net</b>	<b>2,641</b>	<b>773</b>	<b>3,414</b>

The Council's proportion of the Council Tax and Non-Domestic Rate debtors and prepayments are included within notes 22 and 24 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
		<u>Debtors</u>		
315	-	Balance at 1 April	344	532
29	532	Movement in year	(6)	300
<b>344</b>	<b>532</b>	<b>Balance at 31 March</b>	<b>338</b>	<b>832</b>
		<u>Prepayment</u>		
(89)	-	Balance at 1 April	(113)	(154)
(24)	(154)	Movement in year	(17)	58
<b>(113)</b>	<b>(154)</b>	<b>Balance at 31 March</b>	<b>(130)</b>	<b>(96)</b>

### 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)	363
(156)	-	North Yorkshire Police Authority	(217)	-
(47)	78	North Yorkshire Fire & Rescue Authority	(66)	40
-	3,897	Central Government	-	2,019
(158)	3,117	Selby District Council (including parishes)	(213)	1,615
<b>(1,164)</b>	<b>7,793</b>	<b>Total</b>	<b>(1,616)</b>	<b>4,037</b>

## **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.

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



## **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.

### **Curtailement**

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.

## **GLOSSARY OF TERMS**

### **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.

## **GLOSSARY OF TERMS**

### **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.

## **GLOSSARY OF TERMS**

### **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.

## **GLOSSARY OF TERMS**

### **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.

## **GLOSSARY OF TERMS**

### **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.

## **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.

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# **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 21<sup>st</sup> 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:-

- 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 procedures;
    - 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.

## Appendix A

Year	Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
2012/13	<p>ICT 2011/12.</p> <p>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.</p>	Internal Audit report.	The IT Manager will ensure that agreed actions are implemented.	IT Manager	<p>May 2013</p> <p>Management have formulated and tested a Disaster Recovery Plan with Craven DC and are working towards an approved Business Continuity Plan – deadline August 2013.</p> <p><i>A Business Impact Assessment was completed in July 2013.</i></p> <p><i>DR now completed and working, with Craven. April 2014.</i></p> <p><i>Business Continuity – Action Plans have been drawn up and BCP training is being planned. April 2015.</i></p>

## 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: <ul style="list-style-type: none"> <li>• Assign clear roles and responsibilities;</li> <li>• Approve and implement the necessary policies and procedures;</li> <li>• Deliver a targeted training programme;</li> <li>• Ensure adequate reporting arrangements; and</li> <li>• Consider appropriate disciplinary procedures for data breaches.</li> </ul> Internal Audit to assist/advise.		April 2015 Good progress has been made and the approved action plan has been implemented.

## 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	<p>Agreed actions:</p> <ul style="list-style-type: none"> <li>• Management responsibility has been defined</li> <li>• The cardholder data environment will be mapped and documented</li> <li>• Policies and procedures will be developed in relation to PCI DSS</li> <li>• Dependencies on third parties will be explored and assessed</li> <li>• Responsibility for completing annual self-assessment questionnaires will be assigned</li> </ul> <p>Internal Audit to assist/advise.</p>	TBC	<p>April 2015</p> <p>The report is currently in draft stage and should be finalised shortly. At this stage, the timescales for implementation will be agreed.</p> <p>Veritau will provide advice and assistance where necessary and will re-audit procedures later in 2015-16.</p>

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**Mary Weastell**  
Chief Executive

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**Councillor Mark Crane**  
Leader of the Council