



Meeting: **AUDIT AND GOVERNANCE COMMITTEE**  
Date: **WEDNESDAY 28 SEPTEMBER 2016**  
Time: **5.00PM**  
Venue: **COMMITTEE ROOM**  
To: **Councillors M Jordan (Chair), I Reynolds (Vice Chair), K Arthur, D Buckle, Mrs J Chilvers, A Thurlow and P Welch.**

**There will be a training session for Councillors at 4.30pm in the Committee Room.**

## Agenda

### 1. **Apologies for absence**

### 2. **Disclosures of Interest**

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

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

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

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

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

### 3. **Minutes**

To confirm as a correct record the minutes of the Audit and Governance Committee held on 15 June 2016 (pages 1 to 5 attached).

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

**5. Audit and Governance Committee Work Programme 2016-17**

To consider the Audit and Governance Committee Work Programme for the municipal year 2016/17 (pages 6 to 8 attached).

**6. Review of Audit Action Log**

To review the Audit Action Log (page 9 attached).

**7. Local Government Ombudsman Annual Review Letter 2015/16**

To receive report A/16/5 from the Solicitor to the Council, which asks Councillors to consider the Local Government Ombudsman's Annual Review Letter 2016 for Selby District Council (pages 10 to 17 attached).

**8. External Audit Completion Report**

To receive report A/16/6 from the external auditor, which presents the external audit progress report (pages 18 to 41 attached).

**9. Statement of Accounts 2015/16**

To receive report A/16/7 which asks Councillors to approve the Statement of Accounts 2015/16 (pages 42 to 187 attached).

**10. Annual Governance Statement 2015/16**

To receive report A/16/8 which asks Councillors to approve the Annual Governance Statement (pages 188 to 191 attached).

**11. Consideration of Internal Audit Report on ICT Disaster Recovery**

To consider report A/15/9 from the internal auditor (Veritau), which details an audit of the Council's ICT Disaster Recovery controls (pages 192 to 209 attached).

**12. Counter Fraud Annual Review**

To receive report A/16/10 from the Counter Fraud Manager (Veritau), which asks Councillors to review the Counter Fraud Annual Report and endorse the Council's approach to addressing fraud (pages 210 to 269 attached).

**Appendix B to the report is exempt from publication by virtue of paragraph 3 in Part 1 of Schedule 12A of the Local Government Act 1972 (as amended). If councillors wish to discuss information contained within appendix B it will be necessary to pass the following resolution to exclude the press and public and to then readmit the press and public following consideration of this item:**

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

**13. Internal Audit Charter**

To receive report A/16/11 from the Audit Manager (Veritau), which asks Councillors to approve the revised Internal Audit Charter (pages 270 to 283 attached).

**14. Internal Audit Progress Report 2016/17**

To receive the report A/16/12 from the Audit Manager (Veritau), which asks Councillors to consider the Internal Audit Progress Report (pages 284 to 323 attached).

**15. Review of the Corporate Risk Register 2016/17**

To receive the report A/16/13 from the Audit Manager (Veritau), which asks Councillors to consider the Corporate Risk register and endorse the actions of officers in furthering the progress of risk management. The Corporate Risk Register incorporates the previously separate Core and Access Selby Risk Registers to reflect recent organisational changes (pages 324 to 345 attached).

**Gillian Marshall  
Solicitor to the Council**

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

**Recording at Council Meetings**

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

# Minutes

## Audit and Governance Committee

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Venue:	Meeting Room 5
Date:	Wednesday 15 June 2016
Time:	5.00pm
Present:	Councillors M Jordan (Chair), K Arthur, D Buckle, Mrs J Chilvers, I Reynolds and P Welch.
Apologies:	None.
Officers present:	Karen Iveson, Chief Finance Officer (s151); Phil Jeffrey, Audit Manager, Veritau; Gavin Barker, Senior Manager, Mazars; Suresh Patel, Director, Mazars; and Daniel Maguire, Democratic Services Officer
Public:	0
Press:	0

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### 1. DISCLOSURES OF INTEREST

There were no disclosures of interest.

### 2. MINUTES

The Committee considered the minutes of the Audit and Governance Committee meeting held on 13 April 2016.

#### **RESOLVED:**

**To approve the minutes of the Audit and Governance Committee meeting held on 13 April 2016.**

### 3. START TIME OF MEETINGS

The Committee considered the start time of meetings for 2016/17 municipal year.

**RESOLVED:**

**To confirm the start time of meetings for the 2016/17 municipal year as 5pm.**

**4. CHAIR'S ADDRESS TO THE AUDIT AND GOVERNANCE COMMITTEE**

The Chair welcomed councillors and officers. It was reported that the overview and scrutiny review working group had visited North Yorkshire County Council in June to observe a Scrutiny Committee meeting, and would consider options to strengthen overview and scrutiny at the council.

**5. AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME 2016/17**

The Committee considered the work programme and agreed to include the Internal Audit Charter and Risk Registers to the September meeting.

**RESOLVED:**

**To include the Internal Audit Charter and Risk Registers on the work programme for September.**

**6. ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2015/16 (A/16/1)**

The Audit Manager (Veritau) presented the report which summarised the work of the internal auditor during 2015/16. The report confirmed that the internal auditor had concluded an opinion of 'substantial assurance' in respect of the governance, risk management and control framework provided by Selby District Council.

The Committee noted that, of the 20 agreed actions from 2015/16, 9 actions had not been implemented by the target date and that a revised target date had been agreed. The Committee noted that it had previously raised concerns about the number of actions being given revised target dates and asked the Chief Finance Officer to note the concerns. The Chief Finance Officer assured the Committee that monitoring of actions was now a standard item on the Extended Leadership Team's agenda.

In response to questions from the Committee, it was confirmed that:

- Those audit assignments that were reported as cancelled were included in a cyclical programme and would be reviewed in either 2016/17 or 2017/18.
- The Executive would consider having a portfolio responsibility for counter fraud.

- The weaknesses identified under 'Council Tax and NNDR' were assigned Priority 3 so had not been allocated specific targets.
- Concerns about lockable storage being left unlocked and the protection of sensitive information remained. The agreed target date of 31 January 2016 had been missed, and a revised target date of 30 October 2016 had been agreed.
- The Recruitment and Selection Manual had been reviewed and found to be out of date. The agreed target date of 31 March 2016 had been missed and a revised target date of 30 June 2016 set.

The Committee noted that it had considered a number of actions for officers, and requested that an actions progress report be included on future agendas similar to the example used by North Yorkshire County Council's Audit Committee.

**RESOLVED:**

- (i) **To note the report, including the opinion on the adequacy and effectiveness of the council's framework of governance, risk management and internal control; and**
- (ii) **To include an 'action progress report' as a standing item on future Audit and Governance Committee agendas.**

**7. EXTERNAL AUDIT PROGRESS REPORT (A/16/2)**

The Senior Manager (Mazars) presented the report, which updated the Committee on the work of the external auditor. It was confirmed that initial work on the 2015/16 audit had been completed, and that no issues had been identified thus far. The next report would be to the September meeting.

It was noted that the Chair would attend a North Yorkshire Governance Forum on 8 July, and that an additional member of the Audit and Governance Committee could also attend.

**RESOLVED:**

- To note the External Audit Progress Report.**

**8. RISK MANAGEMENT ANNUAL REPORT (A/16/3)**

The Audit Manager (Veritau) presented the report, which updated the Committee on risk management activity on 2015/16 and proposed actions for 2016/17.

The Committee noted that recent organisational changes, and in particular changes to senior personnel, could increase risk to the council. It was confirmed that personnel changes were included in the management of risk,

and that the internal auditor was confident sufficient actions were in place to mitigate the risk.

**RESOLVED:**

**To note the Risk Management Annual Report, including the risk management activity undertaken in 2015/16 and the risks associated with recent changes to senior personnel.**

**9. CHANGES TO ARRANGEMENTS FOR APPOINTMENT OF EXTERNAL AUDITORS (A/16/4)**

The Chief Finance Officer presented the report, which summarised changes to the arrangements for appointing external auditors following the closure of the Audit Commission and the end of transitional arrangements at the conclusion of the 2017/18 audits.

The Committee was asked to consider three broad options that were available under the Local Audit and Accountability Act 2014, and to make a recommendation to Council:

- **To make a stand-alone appointment.** This would require the council to set up a panel consisting of independent members which would select the auditor.
- **To set up a joint panel with other local authorities.** The Act allows local authorities to establish joint independent panels to fulfil the functions outlined in option one.
- **To opt-in to sector-led body.** This would allow a sector-led body, set up by the Secretary of State, to negotiate terms with a number of auditors and to offer packages to local authorities.

The Committee considered the options, and concluded that to opt-in to a sector-led body would provide the council with the most cost-effective and transparent process for the appointment of external auditors. It was noted that this option would provide the highest degree of independence in respect of the appointment.

**RESOLVED:**

**Subject to confirmation of the proposals by the Local Government Association, to recommend to Council that Selby District Council opt-in to a 'sector-led body' for the appointment of external auditors when the current transitional arrangements expire (option 3 in the report).**

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The meeting closed at 6.03pm.

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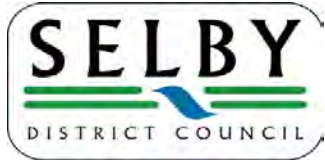


**Audit Committee Work Programme 2016/17**

Date of Meeting	Topic	Action Required
<i>All meetings will be preceded by a training / briefing session for Councillors. These sessions will start 30 minutes before the meeting.</i>		
<b>15 June 2016</b>	Time of meetings	To agree the start time of Audit Committee meetings for 2016/17
	Internal Audit Annual Report 2015/16	To consider the Internal Audit Annual Report for 2015/16
	External Audit Progress Report	To review the progress by Mazars in meeting its responsibilities as the Council's External Auditor.
	Risk Management Annual Report	To consider the Risk Management Annual Report for 2015/16
	Changes to the arrangements for the appointment of external auditors	To make a recommendation to Council regarding the arrangements for the appointment of external auditors.

<b>28 September 2016</b>	Review of Action Log	To consider the latest Action Log.
	External Audit Completion Report and Opinion on the Financial Statements	To receive the Mazars Audit Completion Report and opinion on Financial Statements
	Statement of Accounts (post audit)	To approve the Statement of Accounts
	Corporate Risk Register	To review the Corporate Risk Register.
	Annual Governance Statement	To approve the Annual Governance Statement
	Local Government Ombudsman Annual Review Letter 2015/16	To receive the Local Government Ombudsman Annual Review Letter 2015/16.
	Counter Fraud Annual Report	To review the Counter Fraud Annual Report
	Internal Audit Quarter 1 Report 2016/17	To review progress against the Internal Audit Plan
	Consideration of Internal Audit Reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'.
<b>18 January 2017</b>	Review of Action Log	To consider the latest Action Log.
	Information Governance Report	To approve the Information Governance Annual Report
	Internal Audit Quarter 2 Report 2016/17	To review progress against the Internal Audit Plan
	Annual Audit Letter	To receive the Mazars report on the 2015/16 Audit and Value for Money conclusion
	Review of Risk Management Strategy	To review the Risk Management Strategy
	Review of the Risk Register(s)	To review the latest Risk Register(s)
	External Audit Progress Report – Mazars	To review the progress by Mazars in meeting its responsibilities as the Council's External Auditor.
	Consideration of Internal Audit Reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'.

<b>19 April 2017</b>	Review of Action Log	To consider the latest Action Log.
	Audit Strategy Memorandum and External Audit Progress Report – Mazars	To review the Audit Strategy and progress of the External Audit with Mazars
	Annual Governance Statement – Action Plan Review	To review progress against the AGS Action Plan
	Internal Audit Quarter 3 Progress Report 2016/17	To review progress against the Internal Audit Plan for 2016/17
	Internal Audit Charter	To approve the Internal Audit Charter
	Internal Audit Plan 2017/18	To approve the Internal Audit Plan 2017/18
	Consideration of Internal Audit Reports	To consider any Internal Audit Reports that have concluded ‘Limited Assurance’ or ‘No Assurance’.
	Audit Committee Annual Report 2017/18 and Work Programme 2017/18	To approve the 2016/17 Annual Report and the 2017/18 Work Programme for the committee



## Audit and Governance Committee: Action Log 2015-16

Record of progress on resolutions and action points

Date	Minute number and subject	Resolution / Action Point	Update(s)	Officer(s)	Status
15 Jun 2016	5 - Audit and Governance Committee Work Programme 2015/16	To include the Internal Audit Charter and Risk Registers on the work programme for September	Added to Work Programme (v3)	DSO	Completed
15 Jun 2016	6 - Annual Report of the Head of Internal Audit	The Executive would consider having a portfolio responsibility for counter fraud	This has been considered by the Executive, and will be added to an existing portfolio.	GM	In progress
15 Jun 2016	6 - Annual Report of the Head of Internal Audit	Revised target date of 30 October 2016 had been agreed in relation to concerns about lockable storage being left unlocked	Oral update to be given at meeting.	KI / Veritau	In progress
15 Jun 2016	6 - Annual Report of the Head of Internal Audit	Revised target date of 30 June 2016 for an updated Recruitment and Selection Manual	Further revised date agreed as 31 August 2016. Oral update to be given at meeting.	KI / Veritau	In progress
15 Jun 2016	9 - Changes to the arrangements for appointment of external auditors	Recommend to Council that SDC opt-in to a 'sector-led body' for the appointment of external auditors when the current transitional arrangements expire.	Proposed to take report to Council 13 December 2016.	KI	In progress

**Officers:**

KI - Karen Iveson, Chief Finance Officer

GM - Gillian Marshall, Solicitor to the Council

DSO - Democratic Services Officer

Veritau - internal auditor

Mazars - external auditor

Last updated: 20-Sep-16



## Public Session

Report Reference Number: A/16/5

Agenda Item No: 7

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**To:** Audit and Governance Committee  
**Date:** 28 September 2016  
**Author:** Gillian Marshall, Solicitor to the Council

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**Title:** Local Government Ombudsman Annual Review Letter 2016

### Summary:

This report provides councillors with the Local Government Ombudsman's Annual Review Letter 2016 for Selby District Council for consideration.

### Recommendations:

- i. To note the content of the letter and provide any comments to be considered alongside the current review of the complaints process.

### Reasons for recommendation

To ensure that lessons are learned from any service failures or findings and to ensure openness and transparency.

#### 1. Introduction and background

1.1 The office of Local Government Ombudsman was created under the Local Government Act 1974. The Ombudsman deals with complaints against Local Authorities amongst other public bodies such as national parks, fire authorities, police and crime commissioners and other government bodies.

1.2 The LGO is the final stage for complaints – the complainant must have exhausted the internal complaints procedure before the ombudsman will consider a complaint. Therefore complaints to the ombudsman often represent a small proportion of the total number of complaints made.

1.3 The Ombudsman usually cannot look at a complaint if:

- it is made more than 12 months since knowing about the problem

- the complainant is not personally affected – for example the issue affects most people in the area
- the complainant has not been caused an injustice
- the complainant has the right of appeal or can take legal action and the LGO thinks it is reasonable for them to do so. This might be to:
  - a tribunal (such as the Housing Benefit Appeals Service)
  - a government minister (such as a planning appeal)
  - the courts
- it is about personnel matters (such as employment or disciplinary issues)

1.4 Each year the Ombudsman sends an annual summary of the complaints made in the previous 12 months and the decisions made on those complaints to each local authority.

## **2 The Report**

**2.1** The Annual Review Letter 2016 has been received by the Council covering the period 1/4/15 to 31/3/16. The letter is attached to this report at Appendix A. The Ombudsman recommends that the statistical data be shared with elected members and scrutiny committees so that they can be assured that lessons are learned and services adjusted where necessary.

**2.2** The report identifies that 23 complaints and enquiries relating to Selby District Council were received by the LGO in the period and 21 decisions were made. In some cases the LGO referred the matter back to the Council for local resolution. This often occurs where the person has not yet complained to the Council or has not completed the internal complaints process before approaching the ombudsman. For Selby this occurred in 8 of the 21 cases. In addition, some complaints are closed after initial enquiries. This reflects the fact that the ombudsman's office will assess the complaints received before deciding whether they merit a detailed investigation or not. Assessment will clarify whether there are any legal reasons why the LGO could not look at the complaint and whether there are other reasons, such as lack of personal injustice, which mean they should not look at the complaint. The Assessment Team may contact the council concerned for information or to advise it of the decision not to investigate. For Selby, 8 cases were closed after initial enquiries.

**2.3** In the year 15/16 five complaints against Selby District Council progressed to a detailed investigation. Two cases related to planning, two to housing and one to benefits and taxation. Three complaints were not upheld and two complaints were upheld. The upheld complaints related to benefits and taxation and housing. These upheld complaints are summarised below. The complaints are anonymised which is a requirement of the legislation

### **2.4 Upheld Complaint A**

Mr A complained about the Council refusing a request to backdate his housing benefit without properly considering it, failed to respond properly to his complaints and sent a council tax summons despite his offer to make an

arrangement to pay. The Ombudsman did not find fault in the initial refusal to backdate benefit based on the information it had at the time. The Council subsequently received further information and did then award backdated benefit. There was a short delay in making the decision on the updated information but the ombudsman did not consider it warranted a remedy beyond the apology for delay already given through the complaints procedure. There was also in delay in responding to his initial complaint but again, an apology had been given. The Ombudsman did find fault in the issue of a summons for Council tax where the Council had not responded to his request to arrange payment by instalments. Nor did the Council address this point in the subsequent complaints process. The Council provided a written apology to Mr A and paid him £50 in recognition of the frustration and distress caused. The Council also agreed to clarify the response times to stage 1 complaints in its published procedures and this has been done.

## **2.5 Upheld Complaint B.**

Mr B is a landlord who rents out a property and complained that two consecutive tenants had had to move out of the property due to noise and anti-social behaviour from the neighbours who are Council tenants. The Ombudsman found that in relation to complaints from the tenants the matter had been dealt with properly by the Council. However the Ombudsman was concerned about the responses (and in some cases the lack of response) to the same issues raised by the managing agent and the landlord (Mr B). the Ombudsman recommended that the Council apologise to Mr B and a written apology was provided.

2.6 Alongside the Annual Review letters issued to Councils, the Ombudsman has published a report – the Review of Local Government Complaints 2015-16. A full copy of the report can be downloaded from the link in the Background Papers section of this report. The report publishes the total complaints statistics for all councils and summarises the types of complaint by service area including case studies to assist local authorities in learning lessons and improving services. Nationally in 15/16 the Ombudsman upheld 51% of detailed investigations, which has increased from 46% the previous year. Selby sits below the average at 40% of cases subject to detailed investigation being upheld. However the figures do not make any allowances for key differences such as the functions the Councils undertake.

2.7 The information contained in the annual letter and report will be considered, alongside any comments made by Audit and Governance Committee in the current review of the Corporate Complaints Policy

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

### **Legal Issues**

3.4 These are covered in the main report

## **Financial Issues**

3.5 None.

## **Impact Assessment**

3.6 None

## **4. Conclusion**

4.1 The information provided in the Annual Review letter assist the Council in understanding the needs of service users and its performance alongside KPIs and complaints data and elected Councillor who scrutinise such matters.

## **5. Background Documents**

### **Review of Local Government Complaints 15/16**

*<http://www.lgo.org.uk/information-centre/reports/annual-review-reports/local-government-complaint-reviews>*

*Contact Officer:*

*Gillian Marshall  
Solicitor to the Council  
Selby District Council  
gmarshall@Selby.gov.uk*

### **Appendices:**

Appendix A – Annual Review Letter 2016.



21 July 2016

*By email*

Mary Weastell  
Chief Executive  
Selby District Council

## **AGENDA ITEM: 7**

### **APPENDIX A**

Dear Mary Weastell,

#### **Annual Review Letter 2016**

I write to you with our annual summary of statistics on the complaints made to the Local Government Ombudsman (LGO) about your authority for the year ended 31 March 2016.

The enclosed tables present the number of complaints and enquiries received and the decisions we made about your authority during the period. I hope that this information will prove helpful in assessing your authority's performance in handling complaints.

Last year we provided information on the number of complaints upheld and not upheld for the first time. In response to council feedback, this year we are providing additional information to focus the statistics more on the outcome from complaints rather than just the amounts received.

We provide a breakdown of the upheld investigations to show how they were remedied. This includes the number of cases where our recommendations remedied the fault and the number of cases where we decided your authority had offered a satisfactory remedy during the local complaints process. In these latter cases we provide reassurance that your authority had satisfactorily attempted to resolve the complaint before the person came to us. In addition, we provide a compliance rate for implementing our recommendations to remedy a fault.

I want to emphasise that these statistics comprise the data we hold, and may not necessarily align with the data your authority holds. For example, our numbers include enquiries from people we signpost back to the authority, but who may never contact you.

In line with usual practice, we are publishing our annual data for all authorities on our website, alongside an annual review of local government complaints. The aim of this is to be transparent and provide information that aids the scrutiny of local services.

#### **Effective accountability for devolved authorities**

Local government is going through perhaps some of the biggest changes since the LGO was set up more than 40 years ago. The creation of combined authorities and an increase in the number of elected mayors will hugely affect the way local services are held to account. We have already started working with the early combined authorities to help develop principles for effective and accessible complaints systems.

We have also reviewed how we structure our casework teams to provide insight across the emerging combined authority structures. Responding to council feedback, this included reconfirming the Assistant Ombudsman responsible for relationship management with each authority, which we recently communicated to Link Officers through distribution of our manual for working with the LGO.

## **Supporting local scrutiny**

Our corporate strategy is based upon the twin pillars of remedying injustice and improving local public services. The numbers in our annual report demonstrate that we continue to improve the quality of our service in achieving swift redress.

To measure our progress against the objective to improve local services, in March we issued a survey to all councils. I was encouraged to find that 98% of respondents believed that our investigations have had an impact on improving local public services. I am confident that the continued publication of our decisions (alongside an improved facility to browse for them on our website), focus reports on key themes and the data in these annual review letters is helping the sector to learn from its mistakes and support better services for citizens.

The survey also demonstrated a significant proportion of councils are sharing the information we provide with elected members and scrutiny committees. I welcome this approach, and want to take this opportunity to encourage others to do so.

## **Complaint handling training**

We recently refreshed our Effective Complaint Handling courses for local authorities and introduced a new course for independent care providers. We trained over 700 people last year and feedback shows a 96% increase in the number of participants who felt confident in dealing with complaints following the course. To find out more, visit [www.lgo.org.uk/training](http://www.lgo.org.uk/training).

## **Ombudsman reform**

You will no doubt be aware that the government has announced the intention to produce draft legislation for the creation of a single ombudsman for public services in England. This is something we support, as it will provide the public with a clearer route to redress in an increasingly complex environment of public service delivery.

We will continue to support government in the realisation of the public service ombudsman, and are advising on the importance of maintaining our 40 years plus experience of working with local government and our understanding its unique accountability structures.

This will also be the last time I write with your annual review. My seven-year term of office as Local Government Ombudsman comes to an end in January 2017. The LGO has gone through extensive change since I took up post in 2010, becoming a much leaner and more focused organisation, and I am confident that it is well prepared for the challenges ahead.

Yours sincerely

Dr Jane Martin  
Local Government Ombudsman  
Chair, Commission for Local Administration in England

**Local Authority Report:** Selby District Council  
**For the Period Ending:** 31/03/2016

For further information on how to interpret our statistics, please visit our website:  
<http://www.lgo.org.uk/information-centre/reports/annual-review-reports/interpreting-local-authority-statistics>

## Complaints and enquiries received

Adult Care Services	Benefits and Tax	Corporate and Other Services	Education and Children's Services	Environment Services	Highways and Transport	Housing	Planning and Development	Other	Total
0	4	0	0	3	1	7	8	0	23

## Decisions made

Decisions made				Detailed Investigations			
Incomplete or Invalid	Advice Given	Referred back for Local Resolution	Closed After Initial Enquiries	Not Upheld	Upheld	Uphold Rate	Total
0	0	8	8	3	2	40%	21

### Notes

Our uphold rate is calculated in relation to the total number of detailed investigations.

The number of remedied complaints may not equal the number of upheld complaints. This is because, while we may uphold a complaint because we find fault, we may not always find grounds to say that fault caused injustice that ought to be remedied.

The compliance rate is the proportion of remedied complaints where our recommendations are believed to have been implemented.

### Complaints Remedied

by LGO	Satisfactorily by Authority before LGO Involvement	Compliance Rate
2	0	100%

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## Public Session

Report Reference Number: A/16/6

Agenda Item No: 8

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**To:** Audit and Governance Committee  
**Date:** 28 September 2016  
**Author:** Daniel Maguire, Democratic Services Officer  
**Lead Officer:** Palbinder Mann, Democratic Services Manager

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**Title:** Audit Completion Report (year ended 31 March 2016)

### Summary:

The report from the external auditor, Mazars, is provided for the Audit and Governance Committee to consider.

### Recommendations:

**To consider the Audit Completion Report 2015/16.**

### Reasons for recommendation

*The Audit and Governance Committee is required to receive and comment on reports from the external auditor.*

#### 1. Introduction and background

1.1 The report has been submitted by the external Auditor, Mazars, to summarise the audit findings and conclusions; and to update the Committee on progress in delivering external audit.

#### 2 The Report

2.1 The report is attached at appendix A and sets out a summary of external audit findings for the financial year which ended on 31 March 2016.

2.2 The report confirms that the audit was conducted in accordance with International Standards of Auditing (UK and Ireland), and as such the audit has focussed on audit risks that were assessed as resulting in a higher risk or material misstatement.

- 2.3 The report forms the basis for discussion at the Audit and Governance Committee meeting, and the Committee will have the opportunity to ask questions of officers and the external auditors at the meeting.

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

- 3.1 None.

**4. Conclusion**

- 4.1 The Committee is asked to consider the report.

**5. Background Documents**

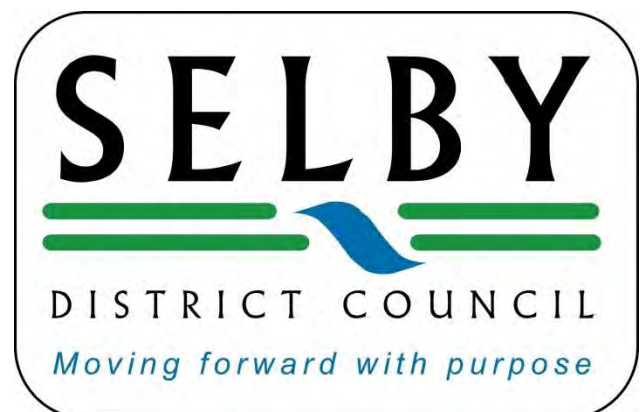
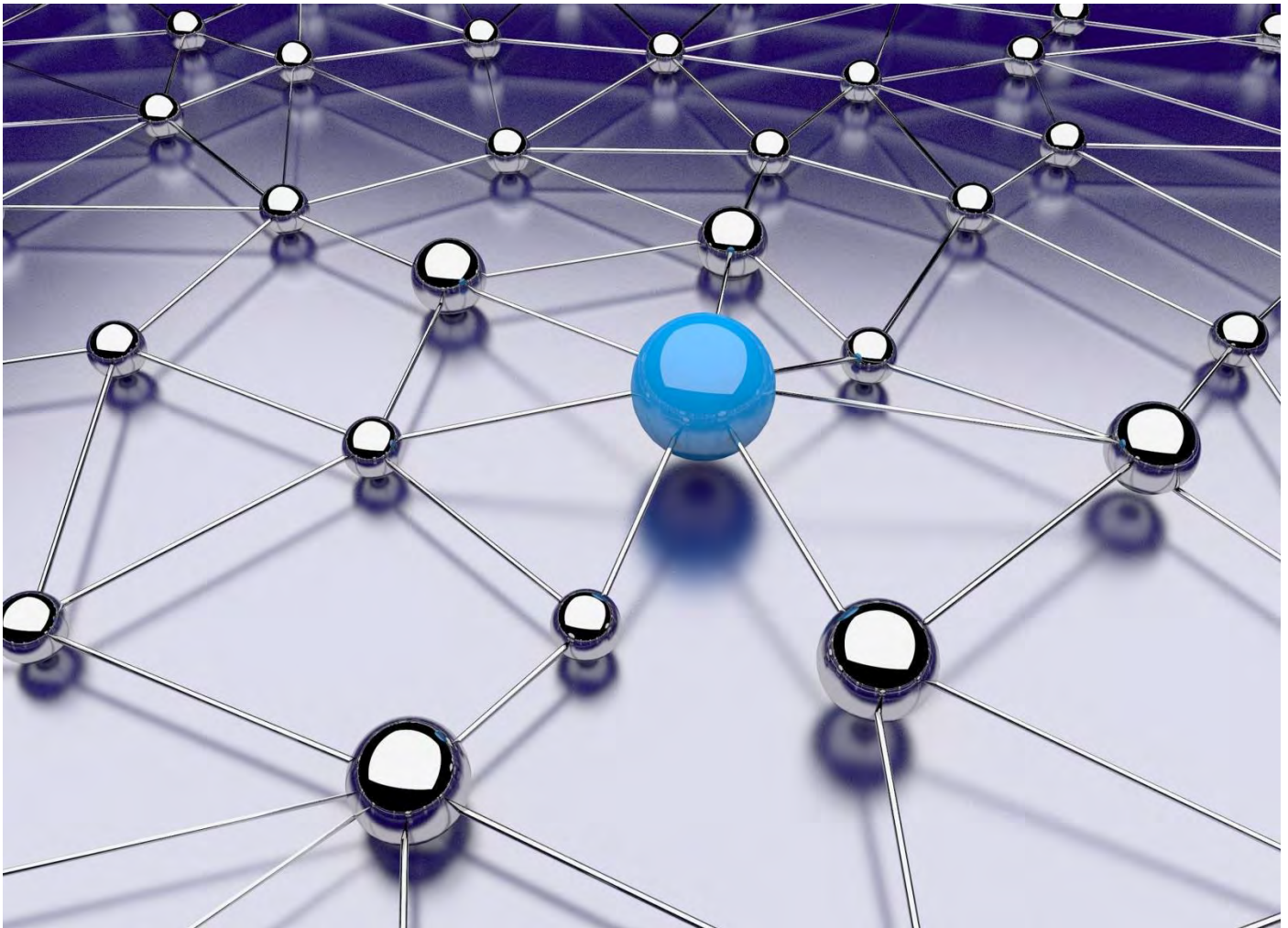
None.

**Contact Officer:**

Daniel Maguire, Democratic Services Officer  
Ext: 42247  
dmaguire@selby.gov.uk

**Appendices:**

*A – Audit Completion Report 2015/16*



Mazars LLP  
Rivergreen Centre  
Aykley Heads  
Durham  
DH1 5TS

Audit and Governance Committee  
Selby District Council  
Civic Centre  
Doncaster Road  
Selby  
YO8 9FT

16 September 2016

Dear Members

**Audit Completion Report – Year ended 31 March 2016**

We are delighted to present our Audit Completion Report for the year ended 31 March 2016. The purpose of this document is to summarise our audit findings and conclusions.

The scope of our work, including identified significant audit risks and areas of management judgement was outlined in our Audit Strategy Memorandum which we presented to the Committee on 13 April 2016. We have concluded that the original significant audit risks and areas of management judgement remain appropriate.

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

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0191 383 6300 or [suresh.patel@mazars.co.uk](mailto:suresh.patel@mazars.co.uk).

Yours faithfully

Suresh Patel  
Director

Mazars LLP



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Our reports are prepared in the context of the ‘Statement of responsibilities of auditors and audited bodies’ and ‘Terms of Appointment’ issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

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# 01 Executive summary

## Purpose of this document

This document has been prepared to communicate the findings of our audit for the year ended 31 March 2016 to the Audit and Governance Committee of Selby District Council and forms the basis for discussion at the Audit and Governance Committee meeting on 28 September 2016.

Our communication with you is important to:

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

As outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK and Ireland) which means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement. Section 3 of this report includes our conclusions on the significant risks and areas of management judgement that we set out in our Audit Strategy Memorandum.

We also set out details of internal control recommendations in section 4 and a summary of misstatements discovered as part of the audit in section 5.

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

## Status and audit opinion

We have substantially completed our audit of the financial statements for the year ended 31 March 2016.

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

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

We also anticipate completing our work in respect of your Whole of Government Accounts submission in line with the group instructions issued by the National Audit Office by the deadline of 21 October 2016.

Our proposed audit report is set out in Appendix B.

## 02 Commentary on the financial statements

Good finances are the foundation of the Council's ability to deliver essential services and to achieve value for money for taxpayers. The Statement of Accounts is the key medium by which the Council communicates financial performance with external stakeholders. As such it provides valuable data on how resources have been employed and what assets and liabilities are outstanding, and is a useful indicator as to the financial health of the organisation.

### Comprehensive Income and Expenditure Statement (CIES)

The CIES shows the cost of providing services for 2015/16 prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2015/16. The statement shows a surplus for the year for the provision of services of £7.9m. As with other local authorities the statement differs from the Council's reported performance on its revenue budget for 2015/16 because of items of expenditure which are correctly charged to the CIES under accounting rules but are not charged to the General Fund under statute.

The Council's performance against its revenue budget is set out in the Narrative Statement in the Statement of Accounts. The General Fund outturn position was a surplus on the revenue budget of £0.6m. The Housing Revenue Account (HRA) outturn position represented a surplus of £1.7m.

The CIES then accounts for other items, primarily the gains arising from the revaluation of Property, Plant and Equipment and a significant actuarial adjustment in the defined benefit liability for pensions, and the bottom line result on the CIES is a deficit of £11.6m.

### Movements in Reserves Statement (MIRS)

The MIRS takes the deficit on the provision of services of £11.6m, and adjusts it for the entries in the CIES that were required under accounting rules, but which are not chargeable to the General Fund under statute.

Note 7 to the financial statements sets out the adjustments between the accounting basis and the funding basis.

The MIRS statement culminates in the closing balance on each of the Council's reserves. Total Usable Reserves represent real resources available to the Council. Between 31 March 2015 and 31 March 2016 these increased from £19.6m to £24.8m, an increase of £5.2m or 26.5%. The General Fund balance, which is available to meet unforeseen circumstances, reduced from £2.2m to £1.5m, in line with the assessment in the Medium Term Financial Strategy that £1.5m is the minimum working balance and that the Council will work towards maintaining this level over the medium to long term. The equivalent HRA balance remained relatively unchanged at £2.3m.

The Council's reserves have increased overall in large part due to a windfall gain in business rates arising from beneficial rules in respect of renewables at local power stations.

### Capital expenditure

The Council's capital programme aims to ensure that the area has the assets and infrastructure it needs, within the limits of affordability. The Council has maintained a strong capital programme with £9.9m of capital investment in 2015/16, in line with the Council's Programme for Growth and investment plans for the district.

### Balance Sheet

The Balance Sheet shows the value of the Council's assets and liabilities on a single date at the year end. It shows the Council's net assets of £77.9m which has increased by £11.5m or 7.4% on last year. The main reasons for the increase are a £6m increase in the value of Property, Plant and Equipment, mainly arising from capital expenditure, a net increase in current assets of £3m, mainly arising from an increase in year-end debtors, and a £2.5m reduction in the net pension liability, mainly arising from a mix of increased asset values partly offset by the impact of changes in actuarial assumptions relating to pension liabilities.

The Council's net assets are matched by reserves which comprise both usable and unusable reserves. In addition to the General Fund balance, the Council also has £6.4m of HRA related reserves, £2.5m in a capital receipts reserve and £0.3m of capital grants unapplied. A further £14.1m is held in General Fund earmarked reserves. Note 8 to the financial statements sets out the Council's earmarked reserves in more detail. Although these reserves are earmarked, they do provide the Council with some flexibility in managing in the current challenging financial environment.

We noted that the business rates provision for appeals increased from £422k to £1.6m. We noted that this year's calculations were based on a more thorough exercise to establish a reliable estimate, and were influenced by significant appeals in relation to local power stations.

## 03 Significant findings

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

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

### Significant risks and key areas of management judgement

#### Management override of controls

##### Description of the risk

International Standards on Auditing (ISA) 240 – The auditor’s responsibility to consider fraud in an audit of financial statements requires us to consider the potential for management override because controls that may be sufficient to detect error may not be effective in detecting fraud. In all entities, management at various levels is in a unique position to perpetrate fraud because of the ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

##### How we addressed this risk

We updated our understanding and evaluation of internal control processes and procedures as part of our audit planning, including completion of a fraud risk assessment.

As part of this process we obtained information from the Audit and Governance Committee and management on processes for assessing the risk of fraud in the financial statements and arrangements in place to identify, respond to and report fraud.

Our testing included:

- consideration and review of accounting estimates impacting on amounts included in the financial statements;
- consideration and review of any unusual or significant transactions outside the normal course of business; and
- journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

##### Audit conclusion

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

## Pension entries (IAS 19)

### Description of the risk

The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.

### How we addressed this risk

We discussed with officers any significant changes to the pension estimates prior to the preparation of the financial statements.

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

- evaluated the management controls you have in place to assess the reasonableness of the figures provided by the actuary (Aon Hewitt); and
- considered the reasonableness of the actuary's output, referring to an expert's report on all actuaries nationally which was commissioned by the National Audit Office.

### Audit conclusion

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

## Accounting policies and disclosures

We have reviewed Selby District Council's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting.

## Significant matters discussed with management

During the course of the audit we did not encounter any significant matters that required discussion with management.

## Significant difficulties during the audit

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

## Electors' rights to inspect the accounts

The Accounts and Audit (England) Regulations 2015 ('the regulations'), introduced new requirements in respect of publishing the financial statements and the period within which local electors may raise questions on the financial statements or make an objection to an item of account. For 2015/16 the Authority set this period as 29 June 2016 to 10 August 2016. We received no questions or objections within this period.

## 04 Internal control recommendations

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

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (High)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	None
2 (Medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	ONE
3 (Low)	In our view, internal control should be strengthened in these additional areas when practicable.	THREE

Other deficiencies in internal control – (Level 2)  
Car Park – New Lane, Selby

### Description of deficiency

During our testing, we identified the Car Park at New Lane, Selby as one of a sample of items to be tested against land registry records to evidence proof of the Council's ownership. We could not find any evidence of ownership of the land with the Land Registry. The land is valued at £130k, and therefore not material to the accounts.

### Potential effects

It is important that the Council has proof of ownership for all of its land.

### Recommendation

That the Council looks into this matter further and seeks to establish proof of ownership with the Land Registry. That management carries out a review to ensure that there are is no other land where ownership is unclear.

### Management response

Selby District Council have requested that the District Council's Legal Services Team continue to investigate whether proof of ownership is indeed held with the Land Registry. A further review will be undertaken over the next few years to confirm land ownership does indeed exist for all land held on the non-current asset register of the District Council. This review will be undertaken as part of the process of converting land records held by the District Council from the current map-based Terrier System to a digitised GIS land record system.

## Other recommendations in internal control – (Level 3)

### Payroll reconciliations

#### **Description of deficiency**

During the audit we became aware of relatively minor discrepancies in payroll reconciliations. The most significant discrepancy was of £15k in employers' national insurance in September 2015. There were a number of other smaller discrepancies. Discussions with officers indicated that in all cases the correct amounts had been paid, but there were issues with the costing files provided by the Council's payroll provider, North Yorkshire County Council.

#### **Potential effects**

It does not seem that any losses have occurred, but it is important to rectify these issues and ensure that payroll reconciliations are properly balanced and agreed.

#### **Recommendation**

Ensure that the Council's payroll provider resolves the payroll reconciliation issues.

#### **Management response**

The District Council are actively working with North Yorkshire County Council (who act as the District Council's payroll provider) to ensure the monthly national insurance payments can be reconciled or match to the financial ledger costing files supplied by the County Council.

### Unpresented and out of date cheques

#### **Description of deficiency**

During our testing, we identified 43 cheques totalling £9k (a trivial amount) that were still on the unpresented cheques list despite being over one year old.

#### **Potential effects**

These cheques should be written back in the accounts.

#### **Recommendation**

That the Council reviews out of date cheques and writes back those that are out of date and can no longer be presented.

#### **Management response**

The Accounts Payable Team in Business Support are actively cancelling these cheques, adjusting the cash balance on the authority's financial ledger and/or re-drawing the cheques to identified suppliers. This process will be conducted on a regular basis going forward.

## Reconciliation of the fixed asset register to the ledger

### **Description of deficiency**

During our testing, we identified differences between the fixed asset register and the ledger. Other land and buildings differed by £20k and assets under construction by £39k (net £19k which is trivial).

### **Potential effects**

Although these differences are relatively small, it is important to rectify these issues and ensure that the fixed asset register is fully reconciled to the accounts.

### **Recommendation**

That the Council reviews its fixed assets register to ensure that it is fully reconciled in next year's financial statements.

### **Management response**

The District Council agrees with the principles of this recommendation and will work to ensure the cause of this issue is rectified for future years.



## 05 Summary of misstatements

In our Audit Strategy Memorandum we reported that we had set materiality at the planning stage at £730k with a clearly trivial threshold of £22k below which identified errors would not usually be reported. We do not purely use a formula for our calculation of materiality and we look at any errors identified on their merits and can choose to report errors and uncertainties below our thresholds if we deem this to be appropriate.

Our final calculated materiality level for the 2015/16 audit, based on the final statement of accounts, is £775k, with a trivial threshold of £23k.

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

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

### Adjusted misstatements 2015/16

		CIES		Balance Sheet	
		Dr £'000	Cr £'000	Dr £'000	Cr £'000
1	Dr: Debtors			<b>155</b>	
	Cr: Creditors				<b>155</b>
Correction to a prepayment of insurance of £155k which was originally offset against creditors (a debit against a credit balance) rather than included in debtors. The effect of this change is to increase both debtors and creditors by £155k, but there is no impact on the bottom line of the financial statements.					

### Disclosure amendments

A number of amendments were made to disclosures in the accounts:

- An additional disclosure was made in respect of bank balances held by the Council relating to third parties and therefore not included in the Council's accounts;
- Clarifications were made to note 32 officers' remuneration, including relating to the exit packages disclosures; we were able to identify an additional officer whose salary needed to be disclosed, and some errors in the bandings for exit packages; these issues have been rectified in the accounts presented for approval;
- Amendments were made to disclosures in note 37 grant income in respect of rent allowances, rent rebates and housing benefit administration and counter fraud grant, as incorrect figures were initially included;
- The related party transactions note 38 was expanded in relation to Selby & District Housing Trust to fully record all transactions; initially only loan transactions were included, but there were other transactions that required disclosure;
- The capital expenditure financed from revenue note 49 was updated; initially the previous year's disclosures had been included;
- The provision for bad debts note in the HRA (note 3 to the HRA) was updated; initially the previous year's disclosures had been included; and
- A number of other minor errors, omissions, clarifications and typographical errors were corrected.

## 06 Value for money

We are required to conclude whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources by considering one overall criterion which is made up of three sub-criteria.

The overall criterion set out by the NAO is:

*'In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.'*

In our Audit Strategy Memorandum we did not identify any significant risks relevant to the value for money conclusion for Selby District Council.

### Overall conclusion

Our overall conclusion is, that in all significant respects, Selby District Council put in place proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

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

The Council has made good progress in addressing the financial challenges from public sector austerity and has a proven track record of strong budget management and delivering planned budget reductions.

The 2015/16 revenue budget included savings proposals to address reduced funding and cost pressures.

The Council achieved a better than expected outturn for both the General Fund and HRA in 2015/16.

2015/16	Original Budget	Funding	Net Budget position	Outturn Position	Comparison against Original Budget
General Fund - revenue expenditure	£10.807m	£10.774m	£33k deficit	£608k Surplus	£641K Improvement
Housing Revenue Account	£11.221m	£12.489m rents	£1.268m surplus	£1.672m Surplus	£404k Improvement

The main reasons for the better than expected General Fund Outturn included additional grant income and increased income from planning fees, along with a large number of smaller beneficial improvements in numerous areas. The main reason for the better than expected outturn on the HRA was lower than expected interest payments for not needing to borrow in year for new developments, plus numerous other beneficial impacts.

In addition, the Council has sustained a significant capital programme, with an outturn for 2015/16 of £9.9m.

The Council has set its revenue budget for 2016/17, including a 1.99% council tax increase. The general fund budget has been set at £16.3m, benefitting from a windfall in business rates income of £5.4m largely arising from renewables at the Drax power station. The Council is uncertain how long this windfall will continue, but is setting it aside for the Council's Programme for Growth initiative. The Council are therefore in the unusual position of having, for the moment at least, significant additional resources for investment.

In the budget for the HRA a key factor in the next few years will be a requirement to reduce rents by 1% per annum. The Council has still been able to set a budget for 2016/17 for the HRA which predicts a £1.5m surplus, although this will be required to support capital spending plans.

The Council set out its priorities in the Corporate Plan 2015/2020:

Key Priorities	Key focus
To do business	<ul style="list-style-type: none"> <li>• Securing new investment in the district</li> <li>• Improving employment opportunities</li> <li>• Working with education providers to support people in accessing training and education that will skill them for work</li> <li>• Working with people and businesses to help Selby, Tadcaster and Sherburn in Elmet reach their potential</li> </ul>
To enjoy life	<ul style="list-style-type: none"> <li>• Improving the supply of housing</li> <li>• Improving healthy life choices</li> </ul>
To make a difference	<ul style="list-style-type: none"> <li>• Empowering and involving people in decisions about their area and their services</li> <li>• Enabling people to get involved, volunteer and contribute to delivering services locally</li> <li>• Facilitating people to access and use alternative service delivery channels</li> </ul>
<b>And this will be supported by Selby District Council delivering great value:</b>	
Key focus:	<ul style="list-style-type: none"> <li>• Working with others and co-developing the way in which services are delivered</li> <li>• Commissioning those best placed to deliver services on our behalf</li> <li>• Making sure we communicate with customers to help us understand what matters, to listen and learn and to enable us to offer the right support</li> <li>• Helping people to access services digitally</li> </ul>

In July 2016, the Council's Annual Report for 2015/16 highlighted that:

- the Council has delivered over £4m of savings since 2010;
- a new organisational structure has been put in place to better align Council services to the Corporate Plan priorities;
- the partnership with North Yorkshire County Council through the 'Better Together' initiative has delivered savings and improvements in service delivery;
- the district dealt with a significant flooding event in the winter of 2015;
- the district hosted a stage start for the Tour de Yorkshire; and
- Selby's new leisure centre was opened and the development of the new leisure village, Summit Indoor Adventure.

We review Executive and Council agenda papers and minutes on an ongoing basis. The Council's priorities are evident from the reports that have been considered and the decisions that have been taken.

The challenges for the future include:

- Fully implementing the new management structure;
- Making a success of the new officer team that have taken up leadership positions;
- Making best use of the additional resources available for investment;
- Delivering economic development objectives and enabling the supply of housing, including affordable housing; and
- Positioning the district to best advantage in terms of the Better Together programme, devolution and the implications arising from Brexit.

In the tables below we comment briefly on our assessment using the sub-criteria of the VFM conclusion.

## Informed decision making

Proper arrangements	Comments on Selby District Council
<p>Acting in the public interest, through demonstrating and applying the principles and values of sound governance.</p>	<p>The Council operates an Executive with a Leader model, and this is governed by a Council Constitution including all of the normal features of an effective governance framework in local government. We review Executive and Council papers on an ongoing basis. We have not identified any evidence of decisions being taken that are not supported by reports that outline appropriate options and relevant considerations.</p> <p>The Council's system of internal control is subject to Internal Audit and for 2015/16, Veritau, the Council's internal auditors, have given an opinion of substantial assurance.</p> <p>An Audit and Governance Committee is in place to oversee the governance framework including approval of the Council's financial statements. We attend all Audit and Governance Committee meetings, and have seen good examples of challenge and oversight.</p> <p>The Council's Annual Governance Statement includes a balanced assessment of the effectiveness of the Council's governance arrangements and identifies appropriate areas for further improvement, most notably around information governance and disaster recovery.</p>
<p>Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.</p>	<p>As noted above, we review Executive and Council papers on an ongoing basis.</p> <p>We have not identified any evidence of decisions being taken that are not supported by reports that outline appropriate options and relevant considerations.</p> <p>All reports include a section on financial and legal issues.</p> <p>Performance issues are included in reports where appropriate, and overall performance outcomes are monitored quarterly and also included in the Council's Annual Report.</p>
<p>Reliable and timely financial reporting that supports the delivery of strategic priorities.</p>	<p>Financial issues are set out in reports related to individual decisions. In addition, regular financial reporting takes place, with formal reporting quarterly to the Executive.</p> <p>There is evidence of financial reporting being used effectively to deliver strategic objectives, for example, through the Medium Term Financial Strategy and in allocating resources to priority areas such as the Programme for Growth.</p>

Proper arrangements	Comments on Selby District Council
Managing risks effectively and maintaining a sound system of internal control.	<p>The Council has a risk management strategy and framework in place. The Council plans to refresh its corporate risk register. This provides a good opportunity to engage the new senior management team in the risk management process and broaden the consideration of risks, for example, devolution and Brexit.</p> <p>The Council's system of internal control is subject to Internal Audit and for 2015/16, Veritau, the Council's internal auditors, have given an opinion of substantial assurance.</p>

## Sustainable resource deployment

Proper arrangements	Comments on Selby District Council
Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.	The Council has made good progress in addressing the financial challenges from public sector austerity and has a proven track record of strong budget management and delivering planned budget reductions.
Managing and utilising assets effectively to support the delivery of strategic priorities.	The Council has an Asset Management Strategy. There are good examples of the Council seeking to make best use of its assets. There are elements of this through the Better Together partnership with North Yorkshire County Council, and more recently, the Council has begun to explore the option of co-location at the civic centre with North Yorkshire Police.
Planning, organising and developing the workforce effectively to deliver strategic priorities.	The Council has taken steps to develop its workforce, downsizing in the face of austerity and reorganising staff into wider roles. A recent example of these plans is the senior management restructure to better align the workforce with Council priorities.

## Working with partners and other third parties

Proper arrangements	Comments on Selby District Council
Working with third parties effectively to deliver strategic priorities.	The Council works with a range of third parties. The Better Together partnership with North Yorkshire County Council is a strong example, with measures to date including shared telephony, an improved website, shared premises and shared services such as ICT. Another example is the commissioning of leisure services, including the opportunity presented by the new leisure village, through Wigan Leisure and Cultural Trust.

Proper arrangements	Comments on Selby District Council
<p>Commissioning services effectively to support the delivery of strategic priorities.</p>	<p>One example is the commissioning of leisure services, including the opportunity presented by the new leisure village, through Wigan Leisure and Cultural Trust (WLCT).</p> <p>The Executive considers an annual review of the operation of the contract with WLCT. This considers the extent to which the contract contributes to wider strategic objectives around healthy lifestyles in the district.</p>
<p>Procuring supplies and services effectively to support the delivery of strategic priorities.</p>	<p>The Council has procurement procedures in place and maintains a contracts register. The Council seeks to achieve best value from the procurement process, driving savings where possible, but also aiming to deliver sustainable services. The largest contract is refuse collection and street scene (approximately £3.9m per annum).</p>

## Appendix A – Draft management representation letter

### Selby District Council

28 September 2016

Dear Mr Patel

#### **Selby District Council - audit for year ended 31 March 2016**

This representation letter is provided in connection with your audit of the statement of accounts for Selby District Council for the year ended 31 March 2016 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

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

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

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

#### **My responsibility to provide and disclose relevant information**

I have provided you with:

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

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

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

#### **Accounting records**

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

## Accounting policies

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

## Accounting estimates, including those measured at fair value

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

## Contingencies

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

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

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

There are no contingent gains which should be disclosed.

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

## Laws and regulations

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

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

## Fraud and error

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

I have disclosed to you:

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



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

#### **Related party transactions**

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

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

#### **Impairment review**

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

#### **Future commitments**

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

#### **Subsequent events**

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

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

#### **Going concern**

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

#### **Unadjusted misstatements**

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

Yours faithfully

Karen Iveson  
Chief Finance Officer

### 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 2016 under the Local Audit and Accountability Act 2014. 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 2015/16.

This report is made solely to the members of Selby District Council in accordance with Part 5 of the Local Audit and Accountability Act 2014, and paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the Selby District Council, as a body, for our audit work, for this report or for the opinions we have formed.

#### Respective responsibilities of the Chief Finance Officer (s151) and auditor

As explained more fully in the Statement of the Responsibilities for the Statement of Accounts, the Chief Finance Officer (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 2015/16, 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 Chief Finance Officer (s151); and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Statement 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 2016 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 2015/16.

#### Opinion on other matters

In our opinion, the information given in the Narrative Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 and the December 2012 addendum;
- we issue a report in the public interest under section 24, schedule 7 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24, schedule 7 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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 20 of the Local Audit and Accountability Act 2014 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 National Audit Office, requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the National Audit Office.

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 are required to conclude whether the Authority has put in place arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have planned and undertaken our work in accordance with the Code of Audit Practice as issued by the National Audit Office and had regard to relevant guidance. 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 criterion published by the National Audit Office, 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 2016.

### **Certificate**

We certify that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Suresh Patel

For and on behalf of Mazars LLP

The Rivergreen Centre  
Aykley Heads  
Durham DH1 5TS

28 September 2016

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**To:** Audit & Governance Committee  
**Date:** 28 September 2016  
**Author:** John Raine, Head of Technical Finance  
**Lead Officer:** Karen Iveson, Chief Finance Officer

---

**Title:** Statement of Accounts 2015/16

**Summary:** The purpose of this report is to enable Councillors to undertake an examination of the Council's financial accounts for the financial year 2015/16 and seek approval of them.

**Recommendations:**

**That Councillors approve the 2015/16 Statement of Accounts**

**1. Introduction and background**

- 1.1 The Accounts and Audit Regulations 2015 require Members to approve the Council's audited statutory accounts by 30<sup>th</sup> September following the financial yearend.
- 1.2 The 2015/16 accounts have been produced under the requirements of International Financial Reporting Standards (IFRS) basis.

**2. The Report**

- 2.1 The Statement of Accounts represents the culmination of the formal financial reporting obligations placed upon the Council and the content of the Accounts presented is largely prescribed by the statutory and professional guidance.
- 2.2 The audited Council's Statement of Accounts for 2015/16 is attached for approval at Appendix A, and was signed by the Chief Financial Officer on 16 September 2016. The Accounts have been prepared in accordance with the code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 2.3 It is important that the council has sound financial, governance and resource management arrangements in place to ensure that the

resources are available and used to support the Council's priorities, improve services and secure value for money for our citizens.

- 2.4 Specifically in respect of financial statements members are expected to "exercise collective responsibility for, and prioritise, financial reporting and demonstrate robust challenge and scrutiny".
- 2.5 To assist Councillors in this regard, an explanatory paper is attached at Appendix B. The Statement of Accounts also contains an explanatory foreword, which highlights the key issues arising from the financial year 2015/16, and considers these in the context of the Council's future financial prospects. Councillors are asked to consider the Statement of Accounts in detail along with the supporting notes, and either raise issues with the Chief Finance Officer prior to the meeting so that a response can be prepared or discuss any such matters as necessary and appropriate at the meeting of the committee.
- 2.6 The accounts were made available for public inspection from 29 June 2016 until 10 August 2016 and the auditor was available to answer queries regarding the accounts during this period. No queries were received.

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

#### **3.1 Legal Issues**

None as a consequence of this report.

#### **3.2 Financial Issues**

The financial implications are as given in the report.

### **4. Conclusion**

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

### **5. Background Documents**

- 5.1 2015/16 closedown working papers.

#### **Contact Officer:**

John Raine, Head of Technical Finance  
jraine@selby.gov.uk

#### **Appendices:**

Appendix A: 2015/16 Statement of Accounts  
Appendix B: Explanatory paper to the Accounts

**SELBY DISTRICT  
COUNCIL**



**STATEMENT OF ACCOUNTS  
2015/2016**

**SELBY DISTRICT COUNCIL**

**STATEMENT OF ACCOUNTS**

**2015/16**

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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 2015/16 sets out the full financial details of the Council's activities.

Over the last year the Council has worked hard to deliver on the priorities set out in our new Corporate Plan, aware of continued reductions in central government funding.

Our new Corporate Plan was developed in partnership with local residents and businesses, key partners and stakeholders, and it sets out our ambition to make Selby district a great place.... to do business, to enjoy life and to make a difference, supported by the Council delivering great value.

Our overall financial performance remains strong as we have delivered a number of in-year savings and been able to set aside resources to invest in our priorities and to manage on-going risk. This has been supported by changes to the way in which business rates are distributed and by changes to government policy relating to renewable energy.

We have invested in new assets over the year – for example the Summit Indoor Adventure facilities in Selby which opened its doors to the public on 28 May 2016; as well as improving existing assets, such as work to enhance our Council homes.

For a small Council capacity can be challenging at times and during the year we started the process of re-organising our staff structure to better align with the new priorities set out in the Corporate Plan. This new approach builds on the new ways of working we introduced a few years previously, but ensures that we have the capacity in the right place at the right time to deliver what we need.

But we also know we cannot operate effectively by acting alone - this year has once again shown the value of partnership. In particular our on-going Better Together work with North Yorkshire County Council. This has delivered long-term efficiencies for both sides, helping to make us more resilient and enabling us to make use of new skills and support that would otherwise be out of our reach.

2015/16 has also been a year of opportunity, with the district hosting a stage start of the inaugural Tour de Yorkshire cycle race in May 2015. This spectacular event was developed as part of the legacy of Yorkshire hosting the grand depart of the Tour de France in 2014 and we are thrilled to welcome it to our district again in 2016.

So we leave 2015/16 clear about our ability to deliver on our long-term goals, satisfied that we have made the most of new opportunities as they have arisen, and confident about our financial position.

Councillor Mark Crane  
Leader of the Council

## NARRATIVE STATEMENT

### 1. Introduction

The purpose of this Narrative Statement 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 Narrative Statement 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 2015/16" (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 2015 to 31 March 2016:

**Accounting Policies** - This explains the basis of the figures in the accounts and the principles on which the Statement of Accounts has been prepared by the Council.

**Statement of Responsibilities for the Statement of Accounts** - This statement sets out the respective responsibilities of the Council and the Chief Finance Officer 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 'unusable 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 (such as Council Tax and National Non-Domestic Rates). The Council raises taxation, collects fees & charges and receives grant funding to cover expenditure in accordance with regulations; however this funding is different to the true accounting costs incurred by the Council. The reconciliation of these two positions are shown in the Movement in Reserves Statement.

**Balance Sheet** - This shows the net value of the Council in terms of 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. 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'.

## NARRATIVE STATEMENT

### 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 relate to the funding of capital expenditure (i.e. borrowing) to the Council.

**Housing Revenue Account (HRA) Income and Expenditure Statement** - The Council must account separately for the local authority housing function, and 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 accounting regulations; and therefore this may be different from the accounting cost.

**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 a 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 funds 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 2015/16 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 non-current 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 budget contributions.

## NARRATIVE STATEMENT

### 4. Revenue Spending in 2015/16

Revenue expenditure for 2015/16 is summarised in the Comprehensive Income and Expenditure Statement. This shows the costs of all the Council's services and how the net expenditure has been funded. The following charts show where the Council's money comes from, what it is spent on and the cost of the services it provides.

**Chart 1 - Where the money came from - £53.149m**

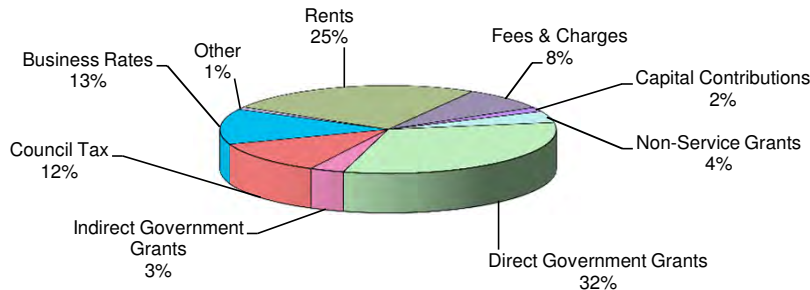


Chart 1 above shows income received in the year of £53.149m. 36% (£19.2m) of this is received from the government as direct grants, mainly to fund benefit payments and formula (or indirect) grants, i.e. grants that are not ring-fenced for specific purposes. Council Tax provides a further £6.3m, which includes £1.5m for Parish Council precepts, and the Council's share of business rates retention contributes £1.6m, with £5.4m in business rates from renewable energy facilities. Rents provide £13.2m of which £12.5m is from housing rents.

**Chart 2 - What the money is spent on - £53.149m**

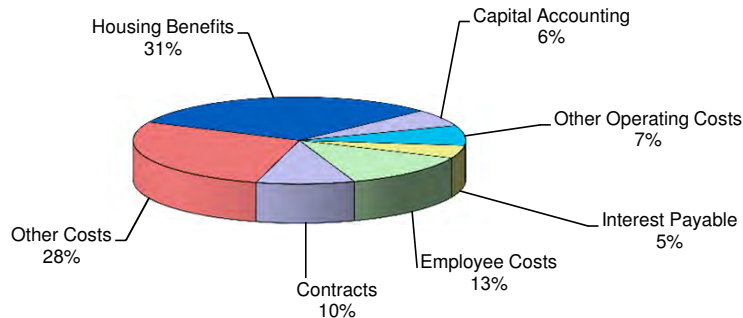
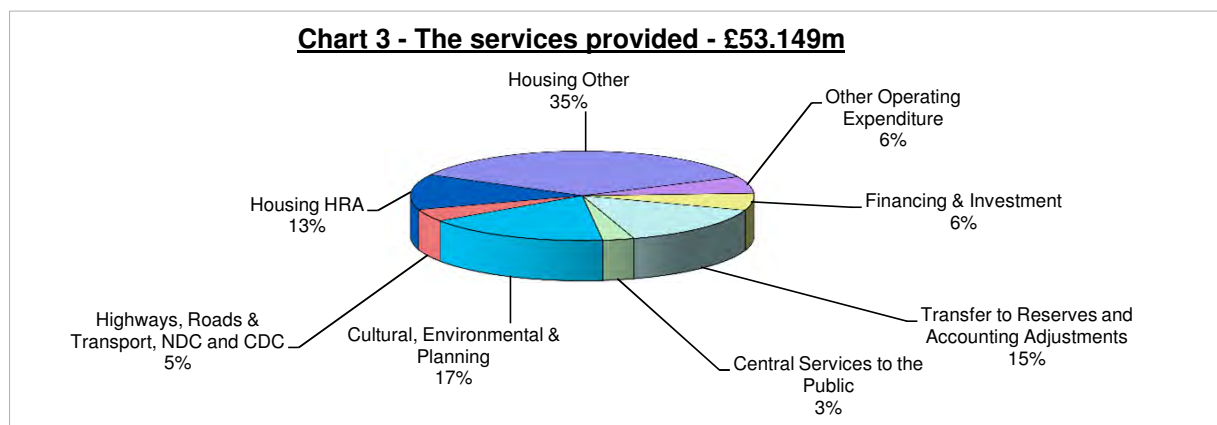


Chart 2 above shows that the largest proportion of the Council's money £16.6m is spent on Housing benefit payments. Other costs total £14.7m, which include the running costs of services including the HRA, £6.9m was spent on employee costs, with contracts for recycling, refuse collection, street cleansing, grounds maintenance, gas servicing and leisure costing £5.1m. Other operating costs total £3.9m of which the largest elements are parish precepts at £1.6m and drainage board levies at £1.6m. Interest payable and capital accounting cost £2.6m and £3.4m respectively.

Chart 3 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 (£18.8m) is Housing Services (non HRA) which includes housing benefit payments.

## NARRATIVE STATEMENT

### 4. Revenue Spending in 2015/16 continued .....



### Financial Performance in 2015/16 Compared to Agreed Budget

The latest approved budget anticipated a £59k surplus for the General Fund after budgeted transfers to reserves and a transfer to the Housing Revenue Account Major Repairs Reserve (MRR) of £1.362m. The out-turn position was a General Fund surplus £608k and the Housing Revenue Account surplus was £1.673m. 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 2015/16 for General Fund services compared to the latest approved budget.

	Latest Approved Budget £'000	Actual £'000	Difference £'000
Net Cost of Services	10,173	9,926	(247)
Parishes Precepts	1,635	1,635	-
Internal Drainage Board Levies	1,580	1,580	-
Interest Payable and Similar Charges	129	143	14
Investment Interest	(200)	(187)	13
Non Cash Adjustments included in (Surplus)/Deficit	-	734	734
<b>Net Operating Expenditure</b>	<b>13,317</b>	<b>13,831</b>	<b>514</b>
Revenue Support Grant	(1,734)	(1,756)	(22)
Non Service Related Government Grants	(2,078)	(2,472)	(394)
Renewables Income	(5,259)	(5,367)	(108)
Business Rates	(2,089)	(2,214)	(125)
Council Tax Precept (including parish precepts)	(6,256)	(6,256)	-
<b>Net (surplus) / deficit</b>	<b>(4,099)</b>	<b>(4,234)</b>	<b>(135)</b>
Other Non Cash Adjustments	2,026	2,037	11
Transfers to / (from) Reserves	2,014	1,589	(425)
<b>Transfers (to) / from GF Balances</b>	<b>(59)</b>	<b>(608)</b>	<b>(549)</b>

## NARRATIVE STATEMENT

### 4. Revenue Spending in 2015/16 continued .....

The previous table shows a saving against net cost of services of £247k. 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
December Flood Costs	37	Costs of officer time, sandbags and clean up from the floods over the new year period.
Customer & Client Receipts	(59)	Additional fees generated by Legal Services by bidding for external work and drawing up agreements.
Housing Benefits	117	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.
Benefit Administration	85	Continuing reduction of DWP admin grant.
Recycling Income	(38)	Increase in the tonnage of recyclable waste collected leading to increased recycling credits.
Planning Fee Income	(198)	Increased income from the variety and volume of applications received.
Supporting People	87	Reduction in the amount of grant available from NYCC and eligibility of residents offset slightly by increased private payers.
Recharges to the HRA	(219)	Changes in structures including the formation of a dedicated housing team has led to increased recharges to the HRA.
Waste Collection	(53)	Although an area of volatility, a reduction in payments to third party contractors has led to a saving on the contract.
Miscellaneous	(6)	Numerous smaller variances contributing towards the final surplus.
Total	(247)	

Investment income fell £13k short of budget due to the continuing low bank rate - the Council achieved an average return on its investments of 0.67% for the year through pooling arrangements in place with NYCC. The low interest rate was mitigated by buoyant balances and in-year savings bridged the gap between the budgeted income and actual returns.

## NARRATIVE STATEMENT

### 4. Revenue Spending in 2015/16 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 these accounting costs do not impact on the Council Tax Payer. The variance is made up of the variances in non-current asset depreciation, capital accounting & funding adjustments and pension fund adjustments. In addition there is a transaction of £87.7k 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 2016/17 accounts resulting from 2014/15 transactions.

#### Housing Revenue Account

The Housing Revenue Account (HRA) was estimated to make a surplus of £1.362m which was budgeted to be transferred to the Major Repairs Reserve (MRR) to support funding of the capital programme and HRA balances. The out-turn position is a surplus of £1.672m - £10k has been transferred to HRA Balances and the remainder to the Major Repairs Reserve.

	Latest Approved Budget £'000	Actual £'000	Difference £'000
Net Cost of Services	(6,182)	(6,086)	96
Interest Payable and Similar Charges	2,638	2,406	(232)
Investment Interest	(48)	(45)	3
Non Cash Adjustments included in Surplus/Deficit	110	164	54
<b>Net (surplus) / deficit</b>	<b>(3,482)</b>	<b>(3,561)</b>	<b>(79)</b>
Capital Expenditure financed from revenue	710	665	(45)
Other Non Cash Adjustments	774	589	(185)
Transfers to / (from) Reserves	636	635	(1)
<b>(Surplus) / Deficit available for distribution</b>	<b>(1,362)</b>	<b>(1,672)</b>	<b>(310)</b>
<b>Transfers (to) / from MRR</b>	<b>(1,268)</b>	<b>(1,662)</b>	<b>(394)</b>
<b>Transfers (to) / from HRA Balances</b>	<b>(94)</b>	<b>(10)</b>	<b>84</b>

The table shows a difference against net cost of services of £96k. 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.



## NARRATIVE STATEMENT

### 4. Revenue Spending in 2015/16 continued .....

<b>Housing Revenue Account</b>		
	Variance £'000	Reason for Variance
Dwellings Repairs & Maintenance	(100)	Various savings including Gas servicing, Estate & grounds maintenance, Hostel and Community Centre utility and repair costs.
Customer & Client Receipts	(93)	Includes recharges to former tenants, Pumping Station Recharges, Right to Buy Admin fees and Community Centre recharges to NYCC.
HRA Share of Support Services	219	Recharges from the General Fund for HRA services, including restructured costs for the Housing Team.
Provision for Bad Debts	47	Contributions meet the impact of write-offs in year whilst maintaining appropriate levels in the provision for Rent Payers £190k and other HRA debtors £56k.
Rent - Dwellings & Garages	(46)	Income exceeded estimates, partly due to lower than expected sales.
Other Sundry Costs	69	Numerous variances including unspent contingency for the year and revenue contributions to capital schemes.
<b>Total</b>	<b>96</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 Rent Payers. 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 2016 and financial resources are being carried forward to 2016/17 to complete these projects. The total value of carry forwards is £6.035m (£1.306m Housing Revenue Account, £4.729m General Fund).

The detailed Core Financial Statements and accompanying notes are shown on pages 19 to 105.

### 5. Capital Expenditure

In 2015/16 the Council spent £9.471m (2014/15 £9.560m) on its capital programme (£7.572m General Fund and £1.899m 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	1,899	20.1%
Equipment & Vehicles, including Intangible Assets (e.g. computer software)	238	2.5%
Other Land and Buildings, including Community Assets	6,717	70.9%
Home Improvement Grants and Loans and Disabled Facilities Grants	146	1.5%
Loans to Selby District Housing Trust	471	5.0%
<b>Total</b>	<b>9,471</b>	<b>100%</b>

## NARRATIVE STATEMENT

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

Where the money came from	Actual £'000	Proportion %
Government Supported Borrowing	-	0.0%
Prudential / Internal Borrowing	(1,596)	16.9%
Capital Receipts	81	-0.9%
Major Repairs Reserve	(1,761)	18.6%
Grants and Contributions	(156)	1.6%
Revenue and Reserves	(6,039)	63.8%
<b>Total</b>	<b>(9,471)</b>	<b>100%</b>

#### Explanation of variances against budget

The Council expected to spend £14.589m on its capital programme, £10.836m on General Fund and £3.753m on its Housing Investment. However slippage and changes to the timing of projects, including Leisure Village completion, building refurbishments, road adoption works, grants to outside organisations, ICT Projects and council housing improvements has resulted in an underspend of £3.264m on the General Fund and £1.911m on the Housing Revenue Account. Work on these projects will be completed in 2016/17 or later.

The major items of capital expenditure in 2015/16 were as follows:

	Actual £'000
New Leisure village	5,013
IT Hardware & Software	238
Burn Airfield Purchase	1,790
Central Heating systems	463
Rewiring	207
Kitchens	398
Damp works	243
Housing trust Loans	471
Other Housing improvements	156
<b>Total</b>	<b>8,979</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 external borrowing during 2015/16 but used internal borrowing to fund loans to Selby & District Housing Trust and fitting out the new Leisure Village. This involves using cash held by the council which generates low returns in the current climate rather than borrowing externally from the PWLB at higher rates.

### 7. Collection Fund

At 31 March 2016 there is a net deficit on the Collection Fund of £9.3m. The Council Tax element is a surplus of £1.4m of which £1.2m is owed to North Yorkshire County Council, North Yorkshire Police Authority and North Yorkshire Fire and Rescue Authority. There is a deficit of £10.7m for non-domestic rates. Of the deficit £5.3m is owed by the central government and £1.1m by North Yorkshire County Council and North Yorkshire Fire and Rescue Authority. The collection rates for recovery of 2015/16 bills was 98.05% for Council Tax and 99.08% for Non-Domestic Rates.

## **NARRATIVE STATEMENT**

### **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 decreased from £22.869m at 31 March 2015 to £20.443m at 31 March 2016 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 decrease in the Pension Liability of £2.4m is matched by an decrease 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 21 shows that the net worth of the Council increased by £11.5m to £77.9m. Significant movements on the balance sheet include an increase in non-current assets of £6.514m, primarily due to expenditure on the capital programme offset by the net impact of disposals and depreciation and revaluations. Short-term investments have been reduced to nil whilst cash equivalents increases by £9.038m to reflect the Treasury Management arrangements with North Yorkshire County Council.

Short-term debtors show a increase of £3.3m and short-term creditors have marginally increased by £281k.

In 2015/16 the Council received capital receipts of £593k from the sale of council houses and other land and buildings.

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

At the 31 March 2016 the Council's usable reserves stood at £24.8m compared to £19.5m at the end of 2014/15. Included within these figures are £3.7m (£1.5m General Fund and £2.3m HRA) of unallocated revenue reserves. The remaining usable reserves include £15.3m earmarked reserves, £2.9m major repairs reserve and £2.5m capital receipts reserve. The latter two represent sums set aside to meet the cost of future capital programme costs.

## **NARRATIVE STATEMENT**

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

The Section 151 officer annually undertakes a risk assessment to calculate a minimum level for reserves. For 2015/16 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.

Funding from Central Government: Reductions in central government funding are set to continue for the foreseeable future and the risk to business rates income continues with growing appeals and risk of business closure. However, significant cash windfalls from renewable energy facilities mean that in overall terms the Council's business rates income is well above target. Whilst the continuation of this income remains in doubt as the government considers the future system of 100% business rates retention for local authorities, the Council has resolved to earmark it for future growth related projects. Proposals for the use of this income will be considered as part of the Council's Programme for Growth (see overleaf) to ensure it is invested wisely to achieve the Council's priorities.

Economic Climate: The economy continues to present challenges for the Council. This includes pressures resulting from the low interest rates earned on the Council's investments, although increased income from planning fees suggests greater confidence in the building industry which in turn is putting pressure on household related services such as refuse collection. 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.

## NARRATIVE STATEMENT

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

Programme for Growth: Local economic growth is a key priority for the Council and work continues on a 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 is now formulating a new Economic Development Strategy - future funding commitments will be considered in light of these key documents and the additional business rates resources earmarked for this use.

Savings and efficiency: On-going core funding reductions require the Council to maintain its focus on delivering financial savings and growing sustainable income streams. The Council has clear savings targets established through to 2019/20 and is actively managing delivery across a range of work streams. 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 and a shared Chief Finance Officer/Assistant Director of Strategic Resources 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 Chief Finance Officer (Section 151 Officer).
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the statement of accounts.

### **The Chief Finance Officer's responsibilities**

The Chief Finance Officer (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 Chief Finance Officer (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 Chief Finance Officer (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 - 102 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 2016.

**Karen Iveson**

**CPFA**

**Chief Finance Officer (s151)**

**Dated**

28 September 2016

### **Approval of the Accounts**

This Statement of Accounts was approved by a resolution of the Audit Committee of Selby District Council on 28 September 2016.

**Councillor M Jordan**

**Chair of Audit Committee**

**Dated**

28 September 2016

## **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 2016 under the Local Audit and Accountability Act 2014. 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 2015/16.

This report is made solely to the members of Selby District Council in accordance with Part 5 of the Local Audit and Accountability Act 2014, and paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the Selby District Council, as a body, for our audit work, for this report or for the opinions we have formed.

### **Respective responsibilities of the Chief Finance Officer (s151) and auditor**

As explained more fully in the Statement of the Responsibilities for the Statement of Accounts, the Chief Finance Officer (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 2015/16, 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 Chief Finance Officer (s151); and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Statement 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 2016 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 2015/16.

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

### **Opinion on other matters**

In our opinion, the information given in the Narrative Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 and the December 2012 addendum;
- we issue a report in the public interest under section 24, schedule 7 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24, schedule 7 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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 20 of the Local Audit and Accountability Act 2014 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 National Audit Office, requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the National Audit Office.

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 are required to conclude whether the Authority has put in place arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have planned and undertaken our work in accordance with the Code of Audit Practice as issued by the National Audit Office and had regard to relevant guidance. 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 criterion published by the National Audit Office, 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 2016.

**Certificate**

We certify that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

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

28 September 2016

	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 2014</b>	(1,674)	(14,526)	(2,099)	(398)	(91)	(4,109)	(228)	(23,125)	(35,988)	(59,113)
<b><u>Movement in reserves during 2014/15</u></b>										
Restated (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>
Restated 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>
<b><u>Movement in reserves during 2015/16</u></b>										
(Surplus) or deficit on provision of services	(4,341)	0	(3,561)	0	0	0	0	(7,902)	0	(7,902)
Other Comprehensive Expenditure and Income		0		0	0	0	0	0	(3,666)	(3,666)
<b>Total Comprehensive Expenditure and Income</b>	<b>(4,341)</b>	<b>0</b>	<b>(3,561)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(7,902)</b>	<b>(3,666)</b>	<b>(11,568)</b>
Adjustments between accounting basis & funding basis under regulations (note 7)	2,149	(0)	2,916	(0)	(1,837)	(518)	(45)	2,664	(2,664)	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(2,192)</b>	<b>(0)</b>	<b>(646)</b>	<b>(0)</b>	<b>(1,837)</b>	<b>(518)</b>	<b>(45)</b>	<b>(5,238)</b>	<b>(6,330)</b>	<b>(11,568)</b>
Transfers to/from Earmarked Reserves (note 8)	2,399	(2,408)	635	(586)	0	0	(40)	(0)	0	(0)
<b>Increase/Decrease (movement) in Year</b>	<b>207</b>	<b>(2,409)</b>	<b>(11)</b>	<b>(586)</b>	<b>(1,837)</b>	<b>(518)</b>	<b>(85)</b>	<b>(5,238)</b>	<b>(6,330)</b>	<b>(11,568)</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>(1,467)</b>	<b>(14,098)</b>	<b>(2,267)</b>	<b>(1,193)</b>	<b>(2,929)</b>	<b>(2,521)</b>	<b>(313)</b>	<b>(24,787)</b>	<b>(53,161)</b>	<b>(77,948)</b>

MOVEMENT IN RESERVES STATEMENT

## COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2014/15				2015/16			Notes
Expenditure £'000	Income £'000	Net Exp. £'000		Expenditure £'000	Income £'000	Net Exp. £'000	
1,120	(516)	604	Central Services to the Public	1,575	(549)	1,026	
-	(361)	(361)	Exceptional Item - prior year's deferred business rates income	-	-	-	
1,278	(266)	1,012	Cultural and Related Services	1,104	(294)	810	
4,910	(1,651)	3,259	Environmental and Regulatory Services	5,404	(1,664)	3,740	
1,644	(959)	685	Planning Services	2,717	(1,293)	1,424	
236	(354)	(118)	Highways and Transport Services	193	(358)	(165)	
478	-	478	Exceptional Item - Revaluation costs of land now used for car parking	-	-	-	
6,211	(12,713)	(6,502)	Local Authority Housing (HRA)	6,791	(12,877)	(6,086)	
18,934	(17,901)	1,033	Other Housing Services	18,769	(17,717)	1,052	
1,543	(22)	1,521	Corporate and Democratic Core	2,096	(33)	2,063	
123	(35)	88	Non Distributed Costs	102	(17)	85	
<b>36,477</b>	<b>(34,778)</b>	<b>1,699</b>	<b>Cost of Services</b>	<b>38,751</b>	<b>(34,802)</b>	<b>3,949</b>	
		2,755	<b>Other Operating Expenditure</b>			3,236	9
		3,113	<b>Financing and Investment Income &amp; Expenditure</b>			3,039	10
		(18,303)	<b>Taxation and Non-Specific Grant Income</b>			(18,126)	11
		<b>(10,736)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(7,902)</b>	
			<b>Other Comprehensive Income and Expenditure</b>				
		(1,060)	Surplus or deficit on Revaluation of Property, Plant and Equipment Assets			(603)	27.1
		-	Impairment Losses on Non-Current assets charged to the Revaluation Reserve			-	27.1
		-	(Surplus) / Deficit on revaluation of available for sale financial assets			-	27.2
		4,529	Remeasurement of the net defined benefit liability			(3,063)	43
		<b>3,469</b>	<b>Total Other Comprehensive Income and Expenditure</b>			<b>(3,666)</b>	
		<b>(7,267)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(11,568)</b>	

## BALANCE SHEET

31-Mar-15 £'000		31-Mar-16		Notes
		£'000	£'000	
123,238	Property Plant & Equipment	129,135		12
500	Investment Property	500		16
-	Intangible Assets	165		17
7	Long Term Investments	-		18
355	Long Term Debtors	814		19
<b>124,100</b>	<b>Total Non-current Assets</b>	<b>130,614</b>		
9,038	Short Term Investments	-		18
8	Inventories and Work in Progress	8		21
6,116	Short Term Debtors	9,426		18,19,22
15,027	Cash and Cash Equivalents	25,509		23
<b>30,189</b>	<b>Total Current Assets</b>	<b>34,943</b>		
<b>154,289</b>	<b>Total Assets</b>		<b>165,557</b>	
(629)	Short Term Borrowing	(581)		18
(3,162)	Short Term Creditors	(3,443)		24
(474)	Provisions	(2,040)		25
(153)	Revenue Grants Receipts In Advance	(484)		37
<b>(4,418)</b>	<b>Total Current Liabilities</b>	<b>(6,548)</b>		
(60,299)	Long Term borrowing	(60,299)		18
(22,869)	Other Long Term Liabilities: Defined Benefit Pension Scheme	(20,443)		43
(323)	Finance Leases	(319)		40
<b>(83,491)</b>	<b>Total Long Term Liabilities</b>	<b>(81,061)</b>		
<b>(87,909)</b>	<b>Total Liabilities</b>		<b>(87,609)</b>	
<b>66,380</b>	<b>Net Assets</b>		<b>77,948</b>	
(19,549)	<b>Usable Reserves</b>		(24,787)	26
(46,831)	<b>Unusable Reserves</b>		(53,161)	27
<b>(66,380)</b>	<b>Total Reserves</b>		<b>(77,948)</b>	

Karen Iveson  
CPFA  
Chief Finance Officer (s151)

Dated 28 September 2016

## CASH FLOW STATEMENT

2014/15 £'000		2015/16 £'000	Notes
(10,736)	Net (Surplus)/Deficit on the Provision of Services	(7,902)	
(5,203)	Adjustments to net (surplus)/deficit on the provision of services for non-cash movements	(6,635)	28
1,833	Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	1,090	28
<b>(14,106)</b>	<b>Net Cash Flow from Operating Activities</b>	<b>(13,447)</b>	
5,963	<b>Investing Activities</b>	(1,148)	29
3,822	<b>Financing Activities</b>	4,113	30
<b>(4,321)</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>(10,482)</b>	
<b>(10,706)</b>	Cash and cash equivalents at the beginning of the reporting period	<b>(15,027)</b>	
<b>(15,027)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>(25,509)</b>	23

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

### **1. Accounting Policies**

#### **i. General Principles**

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 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 2015/16, (known as "the Code of Practice") (which is issued by the Chartered Institute of Public Finance and Accountancy) and the Service Reporting Code of Practice 2015/16 (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 affect 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 and capital accounts of the Council are maintained on an accruals basis in accordance with recognised accounting policies and the Code of Practice. The accounts reflect 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. Capital Receipts**

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

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

#### **vii. Council Tax Income**

Selby District Council is a billing authority and 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 detailed below.

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 .....**

#### **vii. 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.

#### **viii. 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 does not 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 prudent reduction in its overall borrowing requirement based on the annual Capital Financing Requirement for capital projects funded from borrowing. 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.

#### **ix. 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. An accrual is made for the value of annual leave entitlement earned by employees but not taken before the year end which employees can carry forward into the following financial year. 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 at year-end, to the appropriate service in the Comprehensive Income and Expenditure Statement at the point where either 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 .....**

#### **iv. Employee Benefits continued .....**

Where termination benefits involve the enhancement of pensions, the General Fund Balance is 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, adjustments are made 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)**

The pension liabilities of the Council are to be accounted for using IAS 19 principles.

Council employees 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. This is a charge for one year's worth of the discount on the liabilities, as they unwind, and the liabilities become one year closer to payment. This cost is charged 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 .....**

#### **x. Employee Benefits continued .....**

Remeasurement of liabilities will arise on an annual basis and relate to changes in assumptions about the value of assets and liabilities and demographic estimation, 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.

The General Fund and Housing Revenue Account are charged with the amount payable by the Council to the pension fund in the year, and not the amount calculated according to relevant accounting standards. Any difference between these amounts is adjusted through the Pensions Reserve. This item is shown as a reconciling item within the Movement in Reserves Statement. The Pension Reserve makes adjustments to reverse 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.

#### **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 are 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 Instrument is defined as: "any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another." Although this covers a wide range of items, the main implications are in terms of investments and borrowings held by the Council.

The accounting standards on Financial Instruments IAS 32, 39 and IFRS 7 cover the concepts of recognition, measurement, presentation and disclosure. A financial asset or liability is recognised on the balance sheet when the Council becomes a party to the contractual provision of the instrument, initially at fair value and carried at their amortised cost.

Annual costs and income are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable on Financial Liabilities and interest earned on Financial Assets. Financial Liabilities and Assets are based on the carrying amount of the liability and/or asset, multiplied by the effective rate of interest for the instrument. Therefore the value of the liability and/or asset included in the Balance Sheet is the outstanding principal repayable plus accrued interest to the end of the financial year, which is charged to the Comprehensive Income and Expenditure Statement, is the amount payable for the year in the loan agreement.

The Council issued Local Government Loan Stock in 1995 and is carried at a lower amortised cost than the outstanding principal and interest, and 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 the stock issue is been financed over the remaining life of the stock.

Gains and losses arising from the rescheduling (repurchasing 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. If the Council chooses to write off these gains or losses on early repurchasing or settlement, then this can be done over the life of the new loan or a shorter period. The Comprehensive Income and Expenditure Statement is charged with one year's worth of the gain/loss, with the remainder held on the Financial Instruments Adjustment Account, on the Balance Sheet, with a corresponding adjustment on the Movement in Reserves – General Working Balances.

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 are held 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.

The Council has based the fair value estimation 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. Fair value is defined under IFRS 13 as "the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between market participants at the measurement date."

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

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

#### **xiii. Financial Instruments continued .....**

##### **Loans and Receivables**

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

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.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses). The Council has some Conversion Stock which is shown as a long term investment on the balance sheet.

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

### **xiv. Government Grants and Contributions**

Government Grants are accrued and credited to income in the period in which the conditions of the grant have been met, and there is reasonable assurance that the grant or contribution will be received. Where income is received in advance of the related expenditure being incurred, any unspent grant funding will be transferred to earmarked or general reserves to reflect future year expenditure commitments. Where the grant or contribution is to fund capital purposes, then the grant income is recognised in the year it is received, although this is subject to any outstanding conditions having been met. Capital grant income recognised in the Comprehensive Income and Expenditure Statement, in advance of the year of that related expenditure is transferred to the Capital Grants Unapplied Reserve. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure. 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 by the payer have been satisfied. These conditions are stipulations embedded within the terms and conditions of the agreement which 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 attached to the funding have not been satisfied are carried in the Balance Sheet as Income in Advance 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-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

### **xv. Intangible Assets**

Intangible Assets are Non-Current Assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) through custodial or legal rights.

Intangible assets are measured initially at cost and their useful economic life is determined based on the length of time that the benefit of holding these non-current assets will accrue to the Council. 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.

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

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

#### **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 immaterial value of this shareholding, the Council has chosen not to prepare supplementary 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 or 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 at fair value, based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 ventures that involve the use of assets of the ventures rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities incurred 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 ventures, with the assets being used to obtain benefits for the ventures. 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, depending 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 dependent 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 current value in existing use, measured at the lease's inception and depreciated over the life of the lease. The recognised asset is matched by a deferred liability for the obligation to pay the lessor over the duration of the lease agreement.

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 .....**

**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.

**(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).

Finance Lease income is treated as a capital receipt. 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.

**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.

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

### **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.

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 or less than its proportionate share of net cash collected from NDR debtors/creditors in the year, then the Council as billing authority shall recognise either a debit or credit adjustment for the amount over or underpaid to the government and major preceptors in the year and the government and major preceptors shall recognise a credit or 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 Council's Cash Flow Statement only includes the Council's share of NDR net cash flows; 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 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 services in accordance with the costing principles of the CIPFA Service Reporting Code of Practice for Local Authorities 2015/16 (SeRCOP). The total absorption costing principle is used whereby the full cost of overheads and support services are shared between service 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.

#### **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 to construct and deliver 153 housing units. PFI contracts are agreements to receive services, where the responsibility for making available the non-current 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 organisation's 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, provided that the non-current asset yields future economic benefits or service potential to the Council for more than one financial year. Expenditure on repairs and maintenance does not add to an asset's potential to deliver future economic benefits or service potential and is charged to revenue as an expense when it is incurred.

The Council has a de-minimis level for capital expenditure on individual or grouped-up assets of £5k, and generally will not treat expenditure on individual assets below this as capital and such expenditure will be charged to revenue.

**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 - existing use value for social housing (EUV-SH)
- All other assets except for the new Civic Centre - 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 the existing use value of an asset, because of the specialist nature of the 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 an indicator for the value of the asset.

Property, Plant and Equipment held on the balance sheet is revalued sufficiently regularly to ensure that the carrying amount is not materially different from the previously valuation estimate, and as a minimum every five years.

All land and buildings (other than Council Dwellings) were revalued at 1 April 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 as at 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 considered 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 fair value less costs to sell under the definition of fair value in IFRS 13: – the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This method of measurement will therefore consider the most advantageous market in which the asset could be sold for and does not place sole consideration on the existing use of the Council. 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.

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

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

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

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 their existing use value; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the 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 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.

### **xxix. 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 2016/17 Code relate primarily to the introduction of accounting for highways infrastructure assets. 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. 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.

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

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

CIPFA are currently considering the implications of adopting the following accounting standards which have been issued by the International Accounting Standards Board:

IFRS 9 – Financial Instruments (expected to be adopted by local authorities in 2018/19) – which will prescribe revised methods for classifying financial instrument assets, valuing these instruments and the point at which impairment losses should be recognised by the Council

IFRS 15 – Revenue recognition from contracts with customers (expected to be adopted by local authorities in 2018/19): – which clarifies the point in time when an organisation should recognise revenue based on the transfer of goods or services to a customer and in an amount which reflects the expected consideration.

IFRS 16 – Leases (expected to be adopted by local authorities in 2019/20): – which will update and expand the definition of a lease, to reflect the fact that a lease is a contract which conveys to the customer the right to use an asset for a period of time in exchange for consideration. The potential of this accounting change may be that all lease assets and liabilities will need to be recognised on the balance sheet at the present value of the annualised lease payments.

### **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 should be classified as leases, and which type of lease, 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.

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

The Council reviewed its assets in accordance with the accounting policy and as a result determined that the only property to be disclosed as an investment property is land held at Bondgate in Selby.

#### **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.

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

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

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

The items in the Council's Balance Sheet at 31 March 2016 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, the useful economic life of an asset may be reduced. If the useful life of assets is reduced then depreciation increases and the carrying amount of an individual asset may fall. It is estimated that the annual depreciation charge for buildings would increase by around £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 pension 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 £1,077k, while a 0.1% increase in salary inflation assumptions would result in an increase in the pension liability of £205k.

However, the assumptions made to calculate the net pension liability are affected by a multitude of factors. The net pension's liability was based on the 2013 actuarial valuation.

## **Arrears**

At 31 March 2016, the Council had a sundry debtors balance of £291k. A review of the significant balances suggested that an impairment of doubtful debts of 10% for debts over 30 days, 30% over 60 days, 80% for those over 90 and less than 364 days and 90% for those over 364 days was appropriate. The impact of the current economic climate is being kept under review to enable an assessment to be made as to whether or not this allowance is sufficient for debt up to 364 days.

If collection rates were to deteriorate, a doubling of the amount of impairment for doubtful debts would require an additional £134k to be set aside as an allowance.

The provision for bad and doubtful Council Tax debts is 24.5% 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 42.6% 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.

## **5. Material Items of Income and Expenditure**

The Council paid out a total of £16.535m in housing benefits in 2015/16 (£16.440m in 2014/15), and this was funded by government subsidy.

The Valuation Office 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 usual split of Business Rates Income. The Council received £5.367m in income in relation to this in 2015/16 (£5.206m in 2014/15).

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

The Statement of Accounts was authorised for issue by the Chief Finance Officer s151 on 28 September 2016. 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 2016, 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 2016 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.

Selby District Council have been informed by the Valuation Office Agency that the Business Rates paid by Eggborough Power Station have been revalued downwards by 22%, backdated from January 2016 as a result of the Industrial Emissions Directive. There is an expectation that a similar revaluation will be applied to the coal fired part of Drax Power Station during 2016/17, again with effect from January 2016.

### **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 .....**

2015/16	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	(1,207)	(2,067)	-	-	-	3,274
Revaluation losses on Property, Plant and Equipment		-	-	-	-	-
Amortisation of intangible assets	(41)	-	-	-	-	41
Capital grants and contributions applied		-	-	-	-	
Revenue expenditure funded from capital under statute	10	-	-	-	-	(10)
Soft Loans	-	-	-	(20)	-	20
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	(16)	(487)	-	-	-	503
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Statutory provision for the financing of capital investment	663	1,266	-	-	-	(1,929)
Capital expenditure charged against the General Fund and HRA Balances	6,046		-	-	-	(6,046)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	45	-	-	-	(45)	-
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	10	663	-	(673)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	(10)	-	-	(76)	-	86
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	-	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(251)	-	-	251	-	-

**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

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

2015/16	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	-	-	-	-	-	-
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Transfer from the HRA to meet future capital and debt redemption costs	-	3,592	(3,592)	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	(4)	-	1,756	-	-	(1,750)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	3	-	-	-	-	(3)
<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)	(1,744)	(257)	-	-	-	2,001
Employer's pensions contributions and direct payments to pensioners payable in the year	1,158	207	-	-	-	(1,365)
<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	(2,514)	-	-	-	-	2,514
<b>Cost of Services</b>	<b>2,149</b>	<b>2,917</b>	<b>(1,836)</b>	<b>(518)</b>	<b>(45)</b>	<b>(2,664)</b>

## 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
Soft 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>						
Reversal of Major Repairs Allowance credited to the HRA	-	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>(14,312)</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-14 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31-Mar-15 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31-Mar-16 £'000	See Notes Below
<b>General Fund</b>								
Access Selby	(640)	141	(103)	(602)	681	(79)	-	8.1
Building Repairs	(674)	536	(130)	(268)	-	(131)	(399)	8.2
Business Rates Equalisation	(3,610)	1,609	(361)	(2,362)	164	(2,579)	(4,777)	8.3
Car Loan Bonds	(5)	-	-	(5)	-	-	(5)	8.4
Carried Fw'd Budgets	(1,029)	1,029	(967)	(967)	967	(1,493)	(1,493)	8.5
Commutation Surplus	(4)	4	-	-	-	-	-	8.6
Contingency	(553)	-	(366)	(919)	496	(285)	(708)	8.7
Discretionary RR Fund	(300)	-	-	(300)	32	-	(268)	8.8
District Election	(97)	-	(30)	(127)	111	(30)	(46)	8.9
ICT Replacement	(630)	135	(200)	(695)	113	(200)	(782)	8.10
Industrial Units	(60)	10	-	(50)	10	-	(40)	8.11
NYCC Collaboration	(250)	-	-	(250)	100	-	(150)	8.12
Pensions Reserve	(600)	-	(186)	(786)	600	(181)	(367)	8.13
PFI Scheme	(2,406)	387	(367)	(2,386)	393	(367)	(2,360)	8.14
Planning Inquiries	(100)	-	-	(100)	100	-	-	8.15
Programme for Growth	(2,984)	2,769	(886)	(1,101)	6,908	(7,338)	(1,531)	8.16
ROS Maintenance	(11)	-	(47)	(58)	-	(22)	(80)	8.17
Sherburn Amenity Land	(10)	-	-	(10)	10	-	-	8.18
Spend to Save	(272)	7	(95)	(360)	316	(456)	(500)	8.19
Tadcaster Central Area	(273)	68	-	(205)	163	-	(42)	8.20
Wheeled Bin Hardship	(18)	-	-	(18)	18	-	-	8.21
Affordable Housing Local Plan	-	-	(120)	(120)	-	(74)	(194)	8.22
	-	-	-	-	-	(355)	(355)	8.23
<b>Total</b>	(14,526)	6,695	(3,858)	(11,689)	11,182	(13,590)	(14,097)	
<b>Housing Revenue Account</b>								
Carried Fw'd	(398)	398	(607)	(607)	607	(1,193)	(1,193)	8.5
<b>Total</b>	(398)	398	(607)	(607)	607	(1,193)	(1,193)	

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

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

- 8.1. Access Selby was a fund to hold savings achieved to date to provide resources for the delivery of services in future years. In light of the Corporate restructure, and future priorities, the balance has been transferred to a newly formed Local Plan reserve
- 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. It also holds accrued amounts for safety net payments until NNDR deficits are released to the General Fund.
- 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 was being transferred to General Fund over the life of the loans repaid and is now fully settled.
- 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. Following a review of reserves, it was agreed that this be transferred to the Programme for Growth reserve.
- 8.16. The Programme for Growth reserve provides funds for capital or 'one-off' revenue projects to support delivery of the Council's Corporate Plan.
- 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. Following a review of reserves, it was agreed to transfer the balance to Programme for Growth
- 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. The Wheeled Bins Hardship Fund provides bins for those on low income/pensions who cannot afford to purchase. Following a review of reserves, it was agreed to transfer the balance to Programme for Growth.
- 8.22. Developers contributions received towards provision of affordable housing.
- 8.23. To fund delivery of the District wide Local Plan

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 9. Other Operating Expenditure

2014/15 £'000		2015/16 £'000
1,562	Payments of Precepts to Parishes	1,635
1,544	Levies payable (Drainage Boards)	1,580
461	Contribution of Housing Capital Receipts to Government Pool	251
(812)	(Gain) / Loss on Disposal of Non-Current Assets	(230)
-	(Gain) / Loss on Disposal of Intangible Assets	-
2,755	<b>Total</b>	3,236

### 10. Financing and Investment Income and Expenditure

2014/15 £'000		2015/16 £'000
2,526	Interest Payable on Debt	2,518
26	Interest Element of Finance Leases	32
746	Net interest on the net defined benefit liability	710
20	Income and Expenditure in relation to investment properties and changes in their fair value	-
(205)	Investment Interest Income	(221)
3,113	<b>Total</b>	3,039

### 11. Taxation and Non-Specific Grant Income

2014/15 £'000		2015/16 £'000
(6,129)	Council Tax	(6,317)
(15,484)	Non-domestic Rates	(14,332)
13,854	NDR top-ups/tariffs and safety net income	12,751
(2,520)	Revenue Support Grant	(1,756)
(467)	Small Business Empty Property Rate Relief	-
(5,206)	Business Rates - Renewable Energy	(5,367)
(1,938)	Non Service Related Government Grants	(2,251)
(413)	Recognised Capital Grants and Contributions	(854)
(18,303)	<b>Total</b>	(18,126)

### 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 continued .....  
Movement on Non-Current Assets continued .....

2015/16	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>Cost or Valuation</b>										
at 31 March 2015	99,532	23,160	16	-	281	179	2,359	125,527	2,635	128,162
Adjustment to opening balance	-	-	-	-	-	-	-	-	-	-
<b>Movement in 2015/16</b>										
Additions	1,760	1,785	5,052	-	10	(2)	33	8,638	437	9,075
Transfers	-	-	-	-	-	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	305	293	-	-	-	-	-	598	-	598
Revaluation increases/ (decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(1,998)	52	-	-	-	-	-	(1,946)	-	(1,946)
Derecognition - disposals	(438)	(70)	-	-	-	-	-	(508)	-	(508)
<b>Value as at 31 March 2016</b>	<b>99,161</b>	<b>25,220</b>	<b>5,068</b>	<b>-</b>	<b>291</b>	<b>177</b>	<b>2,392</b>	<b>132,309</b>	<b>3,072</b>	<b>135,381</b>
<b>Accumulated Depreciation and Impairment</b>										
at 31 March 2015	(1,241)	(64)	-	-	(126)	(40)	(1,533)	(3,004)	(1,920)	(4,924)
Adjustment to opening balance	-	-	-	-	-	-	-	-	-	-
<b>Movement in 2015/16</b>										
Transfers	-	-	-	-	-	-	-	-	-	-
Depreciation for the Year	(1,196)	(649)	-	-	(18)	(2)	(225)	(2,090)	(478)	(2,568)
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	1,240	-	-	-	-	-	-	1,240	-	1,240
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	6	-	-	-	-	-	-	6	-	6
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	-	-	-
<b>Value as at 31 March 2016</b>	<b>(1,191)</b>	<b>(713)</b>	<b>-</b>	<b>-</b>	<b>(144)</b>	<b>(42)</b>	<b>(1,758)</b>	<b>(3,848)</b>	<b>(2,398)</b>	<b>(6,246)</b>
<b>Net Book Value</b>										
at 31 March 2016	97,970	24,507	5,068	-	147	135	634	128,461	674	129,135
at 31 March 2015	98,291	23,096	16	-	155	139	826	122,523	715	123,238

12. Property, Plant and Equipment continued .....  
Movement on Non-Current Assets continued .....

2014/2015	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>Cost or Valuation</b>										
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 2014/15</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 2014/15</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>										
<b>at 31 March 2015</b>	<b>98,291</b>	<b>23,096</b>	<b>16</b>	<b>-</b>	<b>155</b>	<b>139</b>	<b>826</b>	<b>122,523</b>	<b>715</b>	<b>123,238</b>
<b>at 31 March 2014</b>	<b>97,461</b>	<b>14,619</b>	<b>1,983</b>	<b>-</b>	<b>180</b>	<b>134</b>	<b>770</b>	<b>115,147</b>	<b>1,120</b>	<b>116,267</b>

## 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 2016, 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 £15.846m, of which £1.454m was contractually committed at 31 March 2016. The table below analyses this sum into the individual programmes.

Expenditure approved and contracted at 31-Mar-15 £'000		Expenditure approved and contracted at 31-Mar-16 £'000	Period of Investment
4,215	Modernisations to HRA land & buildings Asset Mgmt Plan - Leisure Centre & Park	1,454	1-3 years
-		-	
<b>4,215</b>	<b>Total</b>	<b>1,454</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. 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>	97,913	24,507	122,420

### 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.

2014/15 £'000		2015/16 £'000
-	<b>Opening Balance</b>	<b>500</b>
520	Transfers (to)/from Property, Plant and Equipment	-
(20)	Net gains/(losses) from fair value adjustments	-
<b>500</b>	<b>Closing Balance</b>	<b>500</b>



**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

**17. Intangible Assets**

2014/15				2015/16		
Software Licenses £'000	Other Intangible £'000	Total £'000		Software Licenses £'000	Other Intangible £'000	Total £'000
			<b>Balance at start of year</b>			
329	111	440	Original Cost	329	111	440
(262)	(111)	(373)	Accumulated amortisation	(329)	(111)	(440)
<b>67</b>	<b>-</b>	<b>67</b>	<b>Net carrying amount at start of year</b>	<b>-</b>	<b>-</b>	<b>-</b>
-	-	-	Expenditure in Year	125	81	206
-	-	-	Disposals in Year	-	-	-
(67)	-	(67)	Amortisation for the year	(25)	(16)	(41)
-	-	-	Amortisation derecognised on disposal	-	-	-
<b>-</b>	<b>-</b>	<b>-</b>	<b>Net carrying amount at end of year</b>	<b>100</b>	<b>65</b>	<b>165</b>
			Comprising:			
329	111	440	Gross carrying amounts	454	192	646
(329)	(111)	(440)	Accumulated amortisation	(354)	(127)	(481)
<b>-</b>	<b>-</b>	<b>-</b>		<b>100</b>	<b>65</b>	<b>165</b>

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

The amortisation cost of Housing Revenue Account (HRA) intangible assets directly attributable to the HRA is £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-15 £'000	31-Mar-16 £'000	31-Mar-15 £'000	31-Mar-16 £'000
<b>Investments</b>				
Loans and receivables	-	-	9,038	-
Available-for-sale financial assets	7	-	-	-
<b>Total investments</b>	<b>7</b>	<b>-</b>	<b>9,038</b>	<b>-</b>
<b>Debtors</b>				
Loans and receivables	355	814	17	13
Financial assets carried at contract amounts	-	-	1,332	1,800
<b>Total included in Debtors</b>	<b>355</b>	<b>814</b>	<b>1,349</b>	<b>1,813</b>
<b>Borrowings</b>				
Financial Liabilities at amortised cost	(60,299)	(60,299)	(215)	(208)
<b>Total included in Borrowings</b>	<b>(60,299)</b>	<b>(60,299)</b>	<b>(215)</b>	<b>(208)</b>
<b>Other Long-Term Liabilities</b>				
Finance lease liabilities	(323)	(319)	(414)	(373)
<b>Total Other Long-Term Liabilities</b>	<b>(323)</b>	<b>(319)</b>	<b>(414)</b>	<b>(373)</b>
<b>Creditors</b>				
Financial liabilities carried at contract amounts	-	-	(1,336)	(1,216)
<b>Total Creditors</b>	<b>-</b>	<b>-</b>	<b>(1,336)</b>	<b>(1,216)</b>
<b>Cash and Cash Equivalents</b>				
Financial assets carried at contract amounts	-	-	15,403	25,998
Financial liabilities carried at contract amounts	-	-	(376)	(489)
<b>Total Cash and Cash Equivalents</b>	<b>-</b>	<b>-</b>	<b>15,027</b>	<b>25,509</b>

### 19. Long Term Debtors

	Long-Term		Current	
	31-Mar-15 £'000	31-Mar-16 £'000	31-Mar-15 £'000	31-Mar-16 £'000
Soft Loans	64	63	7	6
Employee Loans	11	6	8	5
Mortgages - Ex Council Houses	-	-	2	2
Repair Assistance Loans	194	103	-	-
Loan to Selby Housing Trust	-	556	-	-
Other Loans	86	86	-	-
<b>Total Long Term Debtors</b>	<b>355</b>	<b>814</b>	<b>17</b>	<b>13</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:

2014/15					2015/16			
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
2,551	-	-	2,551	Interest Expense	2,556	-	-	2,556
-	-	-	-	Losses on derecognition	-	-	-	-
-	-	-	-	Impairment Losses	-	-	-	-
<b>2,551</b>	-	-	<b>2,551</b>	<b>Interest Payable &amp; Similar Charges</b>	<b>2,556</b>	-	-	<b>2,556</b>
-	(213)	(1)	(214)	Interest income	-	(221)	-	(221)
-	-	-	-	Gains on derecognition	-	-	-	-
-	<b>(213)</b>	<b>(1)</b>	<b>(214)</b>	<b>Interest &amp; Investment Income</b>	-	<b>(221)</b>	-	<b>(221)</b>
-	-	-	-	Gains on Revaluation	-	-	-	-
-	-	-	-	Losses on Revaluation	-	-	-	-
-	-	-	-	Amounts recycled to the I&E Account after impairment	-	-	-	-
-	-	-	-	<b>Surplus arising on the revaluation of financial assets</b>	-	-	-	-
<b>2,551</b>	<b>(213)</b>	<b>(1)</b>	<b>2,337</b>	<b>Net gain/(loss) for the year</b>	<b>2,556</b>	<b>(221)</b>	-	<b>2,335</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:

The Capita fair value of its debt is £69.m.

- (a) estimated interest rates at 31 March 2016 of 3.5% - 4.7% 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 of Selby District Council have been calculated using Capita's method as follows:

	31 March 2015		31 March 2016	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB	53,833	58,828	53,833	60,965
Other Market Debt	6,682	8,886	6,674	8,616
Financial Liabilities	60,515	67,714	60,507	69,581

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.

The fair value of Public Works Loan Board (PWLB) loans of £61.0m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £53.8m would be valued at £74.2m. But, if the authority were to seek to [avoid the projected loss/realise the projected gain] by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be the difference between the two valuations.

	31 March 2015		31 March 2016	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans and Receivables	(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 supplies for building maintenance which is used on council dwellings.

31-Mar-15 £'000		31-Mar-16 £'000
7	<b>Opening Balance</b>	8
300 (299)	Purchases in Year Usage in Year	264 (264)
8	<b>Closing Balance</b>	8

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 22. Debtors & Prepayments

31-Mar-15 £'000		31-Mar-16 £'000
3,111	Amounts falling due in one year:	6,195
451	Central Government Bodies	1,112
3,904	Other Local Authorities	3,461
<b>7,466</b>	Other Entities and Individuals	<b>10,768</b>
(1,367)	Less Provision for Bad Debts	(1,355)
<b>6,099</b>	<b>Total</b>	<b>9,413</b>

### 23. Cash and Cash Equivalents

	Balance at 31-Mar-15 £'000	Balance at 31-Mar-16 £'000	Cash Movement £'000
Cash in hand	1	1	-
Cash at bank / (overdrawn)	(376)	(489)	(113)
Cash Equivalents	15,402	25,997	10,595
<b>Total</b>	<b>15,027</b>	<b>25,509</b>	<b>10,482</b>

The value of cash and cash equivalents have increased significantly due to the classification of deposits held with North Yorkshire County Council as highly liquid cash deposits.

The Council hold £272k in cash funds received from Wigan Leisure and Culture Trust (Inspiring Healthy Lifestyles) which relate to performance and pension bonds on the Leisure Contract held with this organisation. These bonds are held in the event of a default against the pension fund or in the event of a material breach by Wigan Leisure in their delivery of the contract to provide leisure services to Selby District Council and subject to the requirements of the agreements in place, are repayable to Wigan at the end of the contract period. It has not been determined appropriate to include these balances on the Balance Sheet of Selby District Council, however if they were to be included in the assets of the Council, the net impact on the Balance Sheet as at 31 March 2016 would be determined to be nil, as a matching liability would also be required to be included to reflect the fact that no such default against pension fund or material contract breach has occurred as at 31 March 2016.

The Council hold £103k in election bank accounts which are to be used to cover costs associated with the 2016 European Union Referendum, the 2016 Police Crime Commissioner Elections and the 2015 General Election. These cash balances do not legally belong to the District Council and are used to cover costs incurred by the Central Government Cabinet Office in holding these elections. The District Council have chosen to therefore exclude these cash balances and any potential future costs & liabilities on the basis the District Council is acting as an agent of the Cabinet Office.

### 24. Creditors

31-Mar-15 £'000		31-Mar-16 £'000
-	Central Government Bodies	(222)
(542)	Other Local Authorities	(333)
(2,023)	Other Entities and Individuals	(2,236)
(597)	Section 106 Receipts (see note 24.1)	(652)
<b>(3,162)</b>	<b>Total</b>	<b>(3,443)</b>

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 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-15 £'000	Income £'000	Expenditure £'000	Balance at 31-Mar-16 £'000
Open Space Schemes	(395)	(172)	54	(513)
Health Care Facilities	(66)	-	66	-
Education	(3)	(764)	764	(3)
Public Transport / Traffic	(122)	-	-	(122)
Waste & Recycling	(11)	(11)	8	(14)
<b>Total</b>	<b>(597)</b>	<b>(947)</b>	<b>892</b>	<b>(652)</b>

### 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. Section 106 receipts are also used to fund Affordable Housing.

### 25. Provisions

	Redundancy & Retirement £'000	Property Searches £'000	NNDR Appeals £'000	Total £'000
<b>Balance at 1 April 2014</b>	-	-	<b>(514)</b>	<b>(514)</b>
Additional provisions made in 2014/15	-	(52)	-	<b>(52)</b>
Amounts used in 2014/15	-	-	88	<b>88</b>
Unused amounts reversed in 2014/15	-	-	4	<b>4</b>
<b>Balance at 31 March 2015</b>	-	<b>(52)</b>	<b>(422)</b>	<b>(474)</b>
Additional provisions made in 2015/16	(360)	(84)	(1,206)	<b>(1,650)</b>
Amounts used in 2015/16	-	84	-	<b>84</b>
Unused amounts reversed in 2015/16	-	-	-	-
<b>Balance at 31 March 2016</b>	<b>(360)</b>	<b>(52)</b>	<b>(1,628)</b>	<b>(2,040)</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 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.

The provision for Redundancy and Retirement relates to the pension strain and costs associated with the corporate restructure and other projects. These payments are committed in 2015/16, but are to be paid in 2016/17.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 following table.

2014/15 £'000		2015/16 £'000	Note
	<b>Usable Reserves</b>		
(1,674)	General Fund	(1,467)	26.1
(12,296)	Earmarked Reserves	(15,290)	26.2
(1,187)	Housing Revenue Account - Core	(1,137)	26.3
(1,069)	Housing Revenue Account - Access Selby	(1,130)	26.3
(1,092)	Major Repairs Reserve	(2,929)	26.4
(2,003)	Capital Receipts Reserve	(2,521)	26.5
(228)	Capital Grants Unapplied	(313)	26.6
<b>(19,549)</b>	<b>Total</b>	<b>(24,786)</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.

2014/15 £'000		2015/16 £'000	Note
	<b>Unusable Reserves</b>		
	Revaluation Balances		
(2,906)	Revaluation Reserve	(3,467)	27.1
4	Available-for-Sale Financial Instruments Reserve	4	27.2
	Adjustment Accounts		
(63,029)	Capital Adjustment Account	(68,881)	27.3
16	Financial Instruments Adjustment Account	13	27.4
-	Deferred Capital Receipts Reserve	-	27.5
22,869	Pensions Reserve	20,442	27.6
(3,785)	Collection Fund Adjustment Account	(1,271)	27.7
<b>(46,831)</b>	<b>Total</b>	<b>(53,161)</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.

2014/15 £'000		2015/16 £'000
<b>(2,098)</b>	<b>Balance brought forward at 1 April</b>	<b>(2,906)</b>
(1,250)	Upwards revaluation of assets	(635)
190	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services	37
<b>(1,060)</b>	Surplus/(Deficit) on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services	<b>(598)</b>
251	Difference between fair value depreciation and historical cost depreciation	27
1	Accumulated gains on assets sold or scrapped	10
<b>252</b>	Amount written off to the Capital Adjustment Account	<b>37</b>
<b>(2,906)</b>	<b>Balance carried forward at 31 March</b>	<b>(3,467)</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.

2014/15 £'000		2015/16 £'000
4	<b>Balance brought forward at 1 April</b>	4
-	Upward revaluation of investments	-
-	Downward revaluation of investments not charged to the surplus/deficit on the Provision of Services	-
-	<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.

2014/15 £'000		2015/16 £'000
<b>(54,810)</b>	<b>Balance brought forward at 1 April</b>	<b>(63,029)</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
2,367	Charges for depreciation and impairment of non-current assets	3,275
67	Amortisation of intangible assets	41
2	Revenue expenditure funded from capital under statute	(10)
473	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	503
2,909		3,809
(252)	Adjusting amounts written out of the Revaluation Reserve	(37)
<b>2,657</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>3,772</b>

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

2014/15 £'000		2015/16 £'000
<b>2,657</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>3,772</b>
	Capital financing applied in the year:	
(2,913)	Use of the Capital Receipts Reserve to finance new capital expenditure	86
(2,963)	Use of the Major Repairs Reserve to finance new capital expenditure	(1,756)
(413)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-
-	Application of grants to capital financing from the Capital Grants Unapplied Account	-
(930)	HRA voluntary set aside for debt repayment	(1,260)
(190)	Minimum Revenue Provision - Borrowing	(187)
(406)	Minimum Revenue Provision - Leases	(481)
(3,115)	Capital expenditure financed from revenue	(6,046)
<b>(10,930)</b>	<b>Total capital financing applied in the year</b>	<b>(9,644)</b>
<b>34</b>	Loan Adjustments	<b>20</b>
<b>20</b>	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	
<b>(63,029)</b>	<b>Balance carried forward at 31 March</b>	<b>(68,881)</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.

2014/15 £'000		2015/16 £'000
<b>11</b>	<b>Balance brought forward at 1 April</b>	<b>16</b>
5	Soft Loan adjustment	(3)
<b>5</b>	<b>Total movement on the account in Year</b>	<b>(3)</b>
<b>16</b>	<b>Balance carried forward at 31 March</b>	<b>13</b>

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

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

#### 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.

2014/15 £'000		2015/16 £'000
(2)	<b>Balance brought forward at 1 April</b>	-
2	Principal Repayments in year transferred to the Capital Receipts Reserve	-
-	<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.

2014/15 £'000		2015/16 £'000
<b>17,957</b>	<b>Balance brought forward at 1 April</b>	<b>22,869</b>
4,529	Remeasurement of the net defined benefit liability	(3,063)
1,682	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	2,001
(1,299)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,365)
<b>22,869</b>	<b>Balance carried forward at 31 March</b>	<b>20,442</b>

#### 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.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 27.7. Collection Fund Adjustment Account continued .....

2014/15 £'000		2015/16 £'000
<b>2,950</b>	<b>Balance brought forward at 1 April</b>	<b>(3,785)</b>
(6,735)	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	2,514
<b>(3,785)</b>	<b>Balance carried forward at 31 March</b>	<b>(1,271)</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.

2014/15 £'000		2015/16 £'000
(2,479)	Depreciation, amortisation, impairment and revaluations	(3,221)
(272)	Movement in creditors	(184)
(1,075)	Movement in debtors	(799)
(110)	Movement in provision for bad debts	12
1	Movement in inventories	-
40	Movement in provisions	(1,566)
383	Movement in pensions liability	636
(449)	Carrying amount of non-current assets sold	(502)
(1,242)	Other non-cash items charged to the provision of services	(1,011)
<b>(5,203)</b>		<b>(6,635)</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.

2014/15 £'000		2015/16 £'000
1,265	Proceeds from the sale of property, plant and equipments, investment property and intangible assets	673
568	Capital grants credited to the (surplus)/deficit on the provision of services	417
-	Any other items for which the cash effects are investing or financing cash flows	-
<b>1,833</b>		<b>1,090</b>

The cash flow for operating activities include the following items:

2014/15 £'000		2015/16 £'000
(205)	Interest received	(221)
2,526	Interest paid	2,518
<b>2,321</b>		<b>2,297</b>

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 29. Cash Flow Statement - Investing Activities

2014/15 £'000		2015/16 £'000
10,550	Purchase of property, plant and equipment, investment property and intangible assets	8,489
5,000	Purchase of short-term and long-term investments	-
288	Other payments for investing activities	478
(1,267)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(689)
(8,000)	Proceeds from short-term and long-term investments	(9,009)
(608)	Other receipts from investing activities	(417)
<b>5,963</b>	<b>Net cash flow from investing activities</b>	<b>(1,148)</b>

### 30. Cash Flow Statement - Financing Activities

2014/15 £'000		2015/16 £'000
-	Cash receipts of short and long-term borrowing	-
-	Other receipts from financing activities	-
406	Cash payments for the reduction of the outstanding liabilities relating to finance leases	414
-	Repayment of short and long-term borrowing	-
3,416	Other payments for financing activities	3,699
<b>3,822</b>	<b>Net cash flow from financing activities</b>	<b>4,113</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 .....**

2015/16	Core £'000	Access Selby £'000	Community Selby £'000	TOTALS £'000
<b>Income</b>				
Contract Income from the Core		(11,138)	(227)	(11,365)
Fees, charges and other service income	(12,670)	(5,088)	(53)	(17,811)
Council Tax & NNDR	(6,255)			(6,255)
Investment Income	(229)			(229)
Government grants and contributions	(14,385)	(16,834)	(8)	(31,227)
<b>Total Income</b>	<b>(33,539)</b>	<b>(33,060)</b>	<b>(288)</b>	<b>(66,887)</b>
<b>Expenditure</b>				
Employees	1,693	6,612	14	8,319
Premises	16	1,352	101	1,469
Transport	20	256		276
Supplies & Services	973	7,746	157	8,876
Third Party Payments		266		266
Parish Councils and Drainage Board Levies	3,215			3,215
Benefit Payments		16,561		16,561
Contract Payments to Access Selby and Core	11,439			11,439
Interest Payments	2,518			2,518
Contributions to / (from) Reserves	12,666	22		12,688
Other	243	-		243
<b>Gross Expenditure</b>	<b>32,783</b>	<b>32,815</b>	<b>272</b>	<b>65,870</b>
<b>Net Services Expenditure</b>	<b>(756)</b>	<b>(245)</b>	<b>(16)</b>	<b>(1,017)</b>

## 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>

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.

2014/15 £'000		2015/16 £'000
8,655	Net expenditure in the Analysis	(1,017)
-	Statutory Accounting Adjustments	5,826
(15)	Items not included in the Income and Expenditure Account	(9,340)
(6,941)	Amounts reported below the Net Cost of Services	8,480
<b>1,699</b>	<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>3,949</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

2015/16	Management Accounts £'000	Statutory Accounting Adjustments £'000	Amounts not included in the I&E £'000	Amounts reported below the Net Cost of Services £'000	Net Cost of Service £'000	Corporate Amounts £'000	Net Position £'000
<b>Income</b>							
Fees, charges and other service income	(17,811)	-			(17,811)	-	(17,811)
Government grants and contributions	(31,227)	-		3,105	(28,122)	(3,105)	(31,227)
Interest Receipts	(229)	-		221	(8)	(221)	(229)
Income from Council Tax and Business Rates	(6,255)	-		17,535	11,280	(15,021)	(3,741)
Other	(11,365)	-		230	(11,135)	(230)	(11,365)
Total Income	(66,887)	-	-	21,091	(45,796)	(18,577)	(64,373)
<b>Expenditure</b>							
Employee Expenses	8,319	2,001	(1,365)	(710)	8,245	710	8,955
Premises	1,469	-	-	-	1,469	-	1,469
Transport	276	-	-	-	276	-	276
Supplies & Services	8,876	-	-	-	8,876	-	8,876
Third Party Payments	28,258	17	(6,046)		22,229	-	22,229
Depreciation, amortisation and Impairment	-	3,808	(1,929)		1,879	-	1,879
Interest Payments	2,518	-		(2,550)	(32)	2,550	2,518
Precepts & Levies	3,215	-		(3,215)	-	3,215	3,215
Payments to the Housing Capital Receipts Pool	251	-	-	(251)	-	251	251
Contributions to/from Reserves	12,688	-		(5,885)	6,803	-	6,803
Gross Expenditure	65,870	5,826	(9,340)	(12,611)	49,745	6,726	56,471
(Surplus)/Deficit on the Provision of Services	(1,017)	5,826	(9,340)	8,480	3,949	(11,851)	(7,902)



**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

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

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

<b>2014/15</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	(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 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

### 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.

2015/16  Post Title	Salary (including fees & allowances) £'000	Benefits in Kind (car allowance) £'000	Total Remuneration excluding pension contributions 2015/16 £'000	Employer's pension contributions £'000	Total Remuneration including pension contributions 2015/16 £'000
Chief Executive	95	1	96	12	108
Deputy Chief Executive	81	1	82	10	92
Chief Finance Officer S151	57	1	58	7	65
Director (MD)	59	1	60	7	67
Director	52	1	53	7	60
Director	52	1	53	7	60
Director	52	1	53	7	60
Solicitor to the Council	49	2	51	6	57
	497	9	506	63	569

The Chief Executive and Chief Finance Officer S151 provide services for both Selby District Council (SDC) and North Yorkshire County Council (NYCC). They are formally employed by SDC and NYCC are charged for 40% and 50% respectively for salaries and other remuneration.

2014/15  Post Title	Salary (including fees & allowances) £'000	Benefits in Kind (car allowance) £'000	Total Remuneration excluding pension contributions 2014/15 £'000	Employer's pension contributions £'000	Total Remuneration including pension contributions 2014/15 £'000
Chief Executive	93	1	94	12	106
Deputy Chief Executive	77	1	78	10	88
Chief Finance Officer 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
Director	51	1	52	6	58
	435	7	442	54	496

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 approved termination of the contract of 6 employees in 2015/16 (1 in 2014/15), incurring liabilities of £363k (£3k in 2014/15). 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 organisational and functional review. 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	
		2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£'000	£'000							£'000	£'000
0	-	20,000	1	-	-	1	-	3	-
20,001	-	40,000	-	-	-	3	3	-	88
40,001	-	60,000	-	-	-	-	-	-	-
60,001	-	80,000	-	-	-	1	1	-	63
80,001	-	100,000	-	-	-	1	1	-	88
100,001	-	120,000	-	-	-	-	-	-	-
120,001	-	140,000	-	-	-	1	1	-	124
Total			1	-	-	6	6	3	363

## 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 2015/16 amounted to £197k (£233k in 2014/15). The 2015/16 figures include a £1k allowance paid to the vice chair (2014/15 £1k Chair, £1k Vice Chair). The payments can be allocated as follows:

2014/15 £'000		2015/16 £'000
226	Allowances	188
7	Expenses	9
<b>233</b>	<b>Total</b>	<b>197</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:

2014/15 £'000		2015/16 £'000
59	Fees due to the External Auditors with regard to external audit services carried out by the appointed auditor.	45
14	Fees payable to the External Auditors for the certification of grant claims and returns.	14
<b>73</b>	<b>Total</b>	<b>59</b>

## 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.

2014/15 £'000		2015/16 £'000
	<b><u>Credited to Taxation and Non-specific Grant Income</u></b>	
(2,520)	Revenue Support Grant	(1,756)
	Council Tax Freeze Grant	(51)
(467)	Small Business Empty Property Rate Relief	-
(5,206)	Renewable Energy	(5,367)
	Non-Service Related Government Grants	
(1,733)	New Homes Bonus	(2,086)
-	Council Tax Reduction Grant	-
(205)	New Burdens Grants	(114)
	Sect. 31 NNDR Relief Grants	(633)
	Capital Grants and Contributions	
(9)	Grant receipt for Hardware for Register of Electors	-
	Transformation Challenge Reward Grant	(221)
(404)	Grant Receipt for new Selby Leisure Sports Centre	
<b>(10,544)</b>	<b>Total</b>	<b>(10,228)</b>
	<b><u>Credited to Services</u></b>	
	Other Government Grants:-	
(9,972)	Rent Allowances	(9,630)
(6,599)	Rent Rebates	(6,514)
(155)	Private Sector/Disabled Facilities Home Improvement Works (General Fund)	(196)
(289)	Housing Benefits Admin & Counter Fraud Grant	(250)
(278)	Private Finance Initiative	(278)
(94)	Other Small Grants	(18)
<b>(17,387)</b>	<b>Total</b>	<b>(16,886)</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-15 £'000	31-Mar-16 £'000	31-Mar-15 £'000	31-Mar-16 £'000
<b><u>Grants Receipts in Advance (Revenue Grants)</u></b>				
Individual Election Registration	-	-	(16)	(10)
Transformation Challenge Award	-	-	(137)	(474)
<b>Total</b>	-	-	<b>(153)</b>	<b>(484)</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 37, 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 2015/16 is shown in Note 35.

Some Members are directors and/or trustees of various entities in their own private capacity. During 2015/16 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	2014/15 Transactions £'000	2014/15 Balance Owed £'000		No. of Members With an Interest	2015/16 Transactions £'000	2015/16 Balances Owed £'000
2	114	-	Selby AVS	2	42	-
2	38	-	Selby District CAB	1	39	-
			Selby Housing Trust	2	596	556
			Selby & District Rail User Group	1	3	
			Various Selby District Drainage Boards	2	1,579	
			Tadcaster & District Rural Interest Company	1	10	
2	82		Wakefield Groundwork	1	6	
<b>6</b>	<b>234</b>	<b>-</b>	<b>Total</b>	<b>10</b>	<b>2,275</b>	<b>556</b>

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

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### **38. Related Party Transactions continued .....**

#### **Officers**

In 2015/16 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.

However, it should be noted that the Chief Finance Officer (S151) is a director of Veritau North Yorkshire Ltd and is under secondment part-time as an Assistant Director in Strategic Resources at North Yorkshire County Council. Another Officer within Democratic Services is the Company Secretary to the Selby and District Housing Trust. A former Finance Manager who left the Council in March 2016 acted as the Finance Director of Selby and District Housing Trust, and another member of the Finance Team now acts as the Finance Director.

## **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 not considered to be related parties as they are subject to common control by central government and include 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 Council is a full partner along with Scarborough, Hambleton, Richmondshire and Ryedale District Council (the host authority) to provide Building Control services on behalf of the five councils. A joint committee manages the Partnership with an equal number of representatives from each council. The agreed financial arrangements are that each partner is required to pay a fixed fee for non-chargeable services and receive a share of any surpluses over the maximum agreed reserve balance of £150,000. The Partnership produce their own set of accounts and these can be requested from Ryedale District Council.

During 2015/16 Selby District Council has paid a management fee of £60k (£58k in 2014/15) 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 2016 as £95k of which £19k belongs to Selby (31 March 2015 reserve of £78k with Selby's share being £16k).

The Council awarded Selby & District Housing Trust loans in 2014/15 of £86k. During 2015/16, this loan balance increased to £556k and is repayable over a 30 year period at an interest rate of between 4.2% and 4.6%. The Council has made loans to Selby and District Housing Trust to cover the cost of developing affordable housing for rent in the district. The Trust has also commissioned the Council to manage these dwellings on their behalf during the year and in addition one hour per week is provided for Company Secretary and Accountant duties. The Development Manager post is grant funded.

Selby District Council also provided £30k (£19k in 2014/15) of support through the 'Programme for Growth' Budget to Selby and District Housing Trust. This included in-kind support from Selby District Council to Selby and District Housing Trust through a proportion of time (up to 50%) of the Council's Housing Development Manager.



## 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.

2014/15 £'000		2015/16	
		£'000	£'000
<b>59,793</b>	<b>Opening Capital Financing Requirement</b>		<b>58,266</b>
	<b>Capital investment</b>		
3,753	Property Plant & Equipment - Council Owned	3,605	
25	Property Plant & Equipment - Leased	437	
5,519	Assets Under Construction	5,033	
-	Intangible assets	206	
157	Revenue Expenditure Funded from Capital Under Statute (REFCUS) - Grants	151	
131	Long term debtor Loan	475	
<b>9,585</b>	<b>Total Capital Investment</b>		<b>9,908</b>
	<b>Sources of finance</b>		
(2,913)	Capital receipts	81	
(1,969)	Government grants and other contributions	(112)	
(4,678)	Sums Set Aside from Revenue (Assets/Soft Loans/REFCUS)	(7,844)	
(930)	HRA voluntary set aside for debt repayment	(1,260)	
(190)	MRP / Loans Fund Principal	(187)	
(406)	MRP - Lease Principal	(481)	
(26)	Reduction in lease liability re Leisure & Street Scene Vehicles	-	(9,803)
<b>58,266</b>	<b>Closing Capital Financing Requirement</b>		<b>58,371</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)	1,596	
25	Assets acquired under finance leases	437	
(930)	HRA voluntary set aside for debt repayment	(1,260)	
(190)	MRP / Loans Fund Principal	(187)	
(406)	MRP - Lease Principal	(481)	
(26)	Reduction in lease liability re Leisure & Street Scene Vehicles	-	105
<b>(1,527)</b>	<b>Increase / (decrease) in Capital Financing Requirement</b>		<b>105</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 2015/16 the Council funded £0.627m (£0.288m in 2014/15) 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-15 £'000		31-Mar-16 £'000
585	Vehicles, Plant, Furniture & Equipment (Vehicles)	235
130	Vehicles, Plant, Furniture & Equipment (Equipment)	439
<b>715</b>		<b>674</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-15 £'000		31-Mar-16 £'000
414	Finance lease liabilities (net present value of minimum lease payments):	
	Current	373
323	Non-current	319
25	Finance costs payable in future years	44
<b>762</b>		<b>736</b>

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

	Minimum Lease Payments Payments		Finance Lease Liabilities	
	31-Mar-15 £'000	31-Mar-16 £'000	31-Mar-15 £'000	31-Mar-16 £'000
Not Later Than One Year	432	402	414	373
Later than One Year and not later than five years	330	180	323	319
Later than Five years	-	-	-	-
	<b>762</b>	<b>582</b>	<b>737</b>	<b>692</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 2015/16 was £80k (£102k in 2014/15).

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

31-Mar-15 £'000		31-Mar-16 £'000
81	Not later than one year	81
294	Later than one year and not later than five years	156
-	Later than five years	-
<b>375</b>		<b>237</b>

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

31-Mar-15 £'000		31-Mar-16 £'000
79	Minimum lease payments	80
-	Contingent rents	-
-	Sub lease payments (receivable)	-
<b>79</b>		<b>80</b>

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

31-Mar-15 £'000		31-Mar-16 £'000
20	Central Services to the Public	20
2	Environmental and Regulatory Services	1
57	Local Authority Housing (HRA)	59
<b>79</b>		<b>80</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 £124k (£109k in 2014/15).

The future minimum lease payments receivable under non-cancellable leases in future years are, for 2016/17, determined to be nil as tenants are able to cancel leases with only three months notice:

31-Mar-15 £'000		31-Mar-16 £'000
41	Not later than one year	-
68	Later than one year and not later than five years	-
-	Later than five years	-
<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 2015/16 the authority made payments of £393k (£387k in 2014/15). The contract expires in 2035.

**42. Impairment Losses**

During 2015/16 the Council has not recognised any impairment losses (£Nil in 2014/15). Any such losses would be shown by class of asset in notes 12 and 15.

**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:

2014/15 £'000	North Yorkshire Pension Fund	2015/16 £'000
	<b>Comprehensive Income and Expenditure Statement</b>	
	<i>Net Cost of Services:</i>	
917	current service cost	1,269
-	past service costs (gains)	1
-	settlement and curtailments	-
19	administration expenses	21
	<i>Financing and Investment Income and Expenditure:</i>	
746	net interest expense	710
<b>1,682</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>2,001</b>
	<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	
(3,991)	return on plan assets	1,231
-	experience (gain) / loss	(855)
-	actuarial (gains) / losses arising on changes in demographic assumptions	-
8,520	actuarial (gains) / losses arising on changes in financial assumptions	(3,439)
<b>4,529</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(3,063)</b>
	<b>Movement in Reserves Statement</b>	
(1,682)	reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(2,001)
	<b>Actual Amount charged against the General Fund Balance for pensions in the year:</b>	
1,299	employers' contributions payable to the scheme	1,365

## 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:

2014/15 £'000		2015/16 £'000
63,222	Present value of the defined benefit obligation	60,383
(40,353)	Fair value of plan assets	(39,941)
<b>22,869</b>	<b>Net liability arising from defined benefit obligation</b>	<b>20,442</b>

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

2014/15 £'000		2015/16 £'000
<b>35,353</b>	<b>Opening Fair Value of Scheme Assets</b>	<b>40,353</b>
1,559	Interest income	1,284
	Remeasurement gain/(loss)	
	- the return on plan assets, excluding the amount included in the net interest expense	(1,231)
3,991		
1,299	Contributions from employer	1,365
314	Contributions from employees into the scheme	335
(2,144)	Benefits Paid	(2,144)
(19)	Other	(21)
<b>40,353</b>	<b>Closing Fair Value of Scheme Assets</b>	<b>39,941</b>

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

2014/15 £'000		2015/16 £'000
<b>(53,310)</b>	<b>Opening Balance at 1 April</b>	<b>(63,222)</b>
(917)	Current Service Cost	(1,269)
(2,305)	Interest Cost	(1,994)
(314)	Contributions from Scheme Participants	(335)
	Remeasurement gain / (loss)	
-	- Experience Gains / (Losses)	855
-	- Actuarial Gains / (Losses) arising from changes in demographic assumptions	-
(8,520)	- Actuarial Gains / (Losses) arising from changes in financial assumptions	3,439
-	Past Service Costs	(1)
-	Curtailments	-
2,144	Benefits Paid	2,144
<b>(63,222)</b>	<b>Closing Balance at 31 March</b>	<b>(60,383)</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:

2014/15 £'000		2015/16 £'000
484	Cash and Cash Equivalents	320
24,212	Equity Instruments	24,842
	Bonds	
2,743	- Corporate	2,157
6,821	- Government	5,632
9,564	Sub-total Bonds	7,789
2,623	Property	2,916
3,470	Other	4,074
<b>40,353</b>	<b>Total Assets</b>	<b>39,941</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-15		At 31-Mar-16
	<i>Longevity at 65 for current pensioners (in years):</i>	
23.1	Men	23.3
25.6	Women	25.8
	<i>Longevity at 65 for future pensioners (in years):</i>	
25.4	Men	25.6
28.0	Women	28.1
2.00%	Rate of CPI inflation	1.80%
3.50%	Rate of increase in salaries	3.30%
2.00%	Rate of increase in pensions	1.80%
3.20%	Rate for discounting scheme liabilities	3.40%

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 or decrease in 1 year)	1,523	1,514
Rate of inflation (increase or decrease by 0.1%)	890	875
Rate of increase in salaries (increase by 0.1%)	205	202
Rate of increase in pensions (increase by 0.1%)	890	875
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	1,077	1,096

### 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 (62.2% of scheme assets) and fixed income (19.5%) 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 26 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 £1.405m expected contributions to the scheme in 2016/17.

The weighted average duration of the defined benefit obligation for scheme members is 18 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 sought to claim refunds of fees paid to the Council to access land charges data. The parties have reached agreement on the claims. The Council has agreed to pay the property search companies legal costs to be subject to detailed assessment by way of costs only proceedings if not agreed. The Council is in discussions with the claimants about the costs aspect of the claim. At present it is not possible to put a final value on these potential liabilities and so the Council has instead recognised a contingent liability. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

2. In 2015/16, the Council was involved in a number of challenges to planning decisions. There was a risk of a costs award against the Council in these cases but at the time of finalising the accounts it was not possible to estimate any potential liability.

### **45. Contingent Assets**

In 2015/16, the Council was 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 was heard in October 2015. The Court of Appeal dismissed the challenge and awarded costs to Selby District Council. The Brewery then applied for leave to appeal to the Supreme Court which was refused in March 2016. The Council were again awarded costs against the Brewery. The Brewery have now been ordered to pay the costs of the Council in the High Court, the Court of Appeal and the Supreme Court. A costs draftsman has been instructed to prepare the bill following which negotiation with the Brewery will take place. The Court will determine the amount of costs if agreement is not reached. It is not possible at this time to estimate the amount of the costs to be paid.

### **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 2016 in relation to its investments in banks and building societies is determined to be nil as all cash balances are held with North Yorkshire County Council and therefore 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 2016 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 2015 £'000 (A x C)		Amount at 31 Mar 2016 £'000 (A)	Historical experience of default % (B)	Historical experience adjusted for market at 31 Mar 2016 % (C)	Estimated maximum exposure to default and uncollectability 31 Mar 2016 £'000 (A x C)
0	Deposits with banks and financial institutions	0	0	0	0
335	Customers	0	0	0	0
335					0

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-15 £'000		At 31-Mar-16 £'000
495	Less than 30 days	1,026
36	30 - 60 days	6
279	60 - 90 days	273
22	90 - 120 days	2
500	over 120 days	493
1,332		1,800

#### 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-15 £'000		At 31-Mar-16 £'000
-	Less than one year	-
-	Between one and two years	-
1,000	Between two and five years	7,500
59,333	More than five years	52,833
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-15 £'000		At 31-Mar-16 £'000
-	Increase in interest payable on variable rate borrowings	-
294	Increase in interest receivable on variable rate investments	-
-	Increase in government grant receivable for financing costs	-
294	Impact on Surplus of Deficit on the Provision of Services	-
64	Share of overall impact debited to the HRA	-
31	Decrease in fair value of fixed rate investment assets	-
31	Impact on Other Comprehensive Income & Expenditure	-
10,972	Decrease in fair value of fixed rate borrowings liabilities (no impact on Consolidated Income and Expenditure Statement)	11,077

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.

2014/15 £'000		2015/16 £'000
(5,999) (74)	Council Tax precept for year (District & Parish) (Surplus)/Deficit payable/repayable in year	(6,256) (84)
(6,073)	Total Council Tax payable to Council in year	(6,340)
(56)	Movement in Collection Fund Adjustment Account in year	23
<b>(6,129)</b>	<b>Council Tax due to Council</b>	<b>(6,317)</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.

2014/15 £'000		2015/16 £'000
(16,761) 1,277	Non-domestic rates due for year (Surplus)/Deficit payable/repayable in year	(16,907) 2,575
<b>(15,484)</b>	<b>Non-domestic rates due to Council</b>	<b>(14,332)</b>

### 49. Capital Expenditure Financed from Revenue

The capital programme can be financed from a variety of sources, one of which is revenue. In 2015/16 £7,844k of capital expenditure was funded from revenue (£4,678k in 2014/15), £81k of which was from the Housing Revenue Account (£1,562k in 2014/15), nil (£40k in 2014/15) from the General Fund and £7,763k from various General Fund and HRA reserves (£3,076k in 2014/15).

**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.

2014/15 £'000		2015/16 £'000	Notes
	<u>Expenditure</u>		
2,401	Repairs & Maintenance	2,497	
2,017	Supervision & Management	2,118	
48	Rents, rates, taxes and other charges	57	
1,600	Depreciation and Impairment of non-current assets	2,067	2
6	Debt Management costs	5	
139	Movement in the allowance for bad debts	47	3
<b>6,211</b>	<b>Total Expenditure</b>	<b>6,791</b>	
	<u>Income</u>		
(12,335)	Dwelling rents	(12,524)	
(124)	Non-dwelling rents	(104)	
(228)	Charges for Services and Facilities	(230)	
(26)	Contributions towards expenditure	(19)	
<b>(12,713)</b>	<b>Total Income</b>	<b>(12,877)</b>	
<b>(6,502)</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income &amp; Expenditure Statement</b>	<b>(6,086)</b>	
228	HRA services share of Corporate & Democratic Core	102	
7	HRA Share of other amounts included in the whole authority Cost of Services but not allocated to specific services	7	
<b>(6,267)</b>	<b>Net Expenditure / (Income) for HRA Services</b>	<b>(5,977)</b>	
	HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(812)	(Gain) or loss on sale of HRA non-current assets	(175)	
2,414	Interest payable and similar charges	2,406	11
(40)	Interest and investment income	(45)	
275	Net interest on the net defined benefit liability	230	
-	Capital grants and contributions receivable	-	
<b>(4,430)</b>	<b>(Surplus) / Deficit for the year on HRA services</b>	<b>(3,561)</b>	

**MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT**

2014/15 £'000		2015/16 £'000	Notes
(2,099)	<b>Balance on the HRA at the end of the previous year</b>	(2,256)	
(4,430)	(Surplus) / Deficit for year on the HRA Income and Expenditure Statement.	(3,561)	
4,018	Adjustments between accounting basis and funding under statute	2,915	
(412)	Net (Increase) / Decrease before transfers to or from reserves	(646)	
255	Transfers to / (from) earmarked reserves	635	
(157)	<b>(Increase) / Decrease in year on the HRA</b>	(11)	
(2,256)	<b>Balance on the HRA at the end of the current year</b>	(2,267)	

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

2014/15 £'000		2015/16 £'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.	-	
812	Gain / (loss) on sale of HRA non-current assets.	175	
1,562	Capital expenditure funded by the Housing Revenue Account	665	
4	Capital expenditure funded by Earmarked Reserves	-	
(98)	HRA share of contributions to / (from) the Pensions Reserve	(50)	
2,402	Transfer to / (from) Major Repairs Reserve	2,927	4
(664)	Transfer to / (from) the Capital Adjustment Account	(802)	
<b>4,018</b>	<b><u>Total Adjustments between accounting basis and funding under statute</u></b>	<b>2,915</b>	
	<u>Transfers to or (from) earmarked reserves</u>		
209	Transfer to / (from) Housing Carry Forward Budget Reserve	585	
46	Transfer to / (from) ICT Reserve	50	
<b>255</b>	<b><u>Total Transfers to / (from) reserves</u></b>	<b>635</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:

2014/15 £'000		2015/16 £'000
1,241	Council Dwellings	1,196
107	Other Land, Buildings & Assets	113
<b>1,348</b>	<b>Total</b>	<b>1,309</b>

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

2014/15 £'000		2015/16 £'000
1,343	Operational	1,303
5	Non-operational	6
<b>1,348</b>	<b>Total</b>	<b>1,309</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:

2014/15 £'000		2015/16 £'000
498	Dwellings	758
(3)	Garages	-
(54)	Ousegate Hostel	-
(98)	Edgerton Lodge Hostel	-
(72)	Community Centres	-
(19)	Non-operational Land	-
-	Other Operational Buildings	-
<b>252</b>	<b>Total</b>	<b>758</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 adjustment of £10k was made during the year in respect of rent arrears in 2015/16 (£76k in 2014/15) and £27k was allocated in respect of Housing Benefit overpayments (£75k in 2014/15). The total rent arrears provision at 31 March 2016 amounted to £190k (£145k 2014/15). In addition, a further provision has been created for general non rent HRA debtors totalling £57k (£62k in 2014/15).

### 4. Major Repairs Reserve

The following is a statement of the movements in this reserve during the financial year 2015/16:

2014/15 £'000		2015/16 £'000
(91)	<b>Opening Balance</b>	(1,092)
(1,310)	Amount transferred to the reserve from the Capital Adjustment Account	
(2,654)	Amount transferred to / (from) the reserve to the Housing Revenue Account: - non-current assets	(3,592)
2,963	Debits to the reserve in respect of HRA capital expenditure on: - houses	1,756
(1,092)	<b>Closing Balance</b>	(2,928)

### 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-14 £'000	31-Mar-15 £'000		01-Apr-15 £'000	31-Mar-16 £'000
951	1,532	Land	1,532	963
97,461	98,290	Council Dwellings	98,290	97,912
1,160	1,265	Other Buildings	1,265	867
<b>99,572</b>	<b>101,087</b>	<b>Total</b>	<b>101,087</b>	<b>99,742</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-14 £'000	31-Mar-15 £'000		01-Apr-15 £'000	31-Mar-16 £'000
97,461	98,290	Operational		
1,656	2,193	Dwellings	98,290	97,912
455	604	Other Land & Buildings	2,193	1,554
		Non-operational	604	276
<b>99,572</b>	<b>101,087</b>	<b>Total</b>	<b>101,087</b>	<b>99,742</b>

### Vacant Possession Value

The vacant possession value of the houses within the Housing Revenue Account as at 1 April 2015 was £319.007m (£320.764m at April 2014). 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 £678k (£1.244m 2014/15) were received by the Housing Revenue Account in 2015/16. The total can be broken down as follows:

2014/15 £'000		2015/16 £'000
	<b>Disposal of Assets:</b>	
	Other HRA Property & Assets	78
1,236	Houses	593
2	Land	7
<b>1,238</b>		<b>678</b>
-	Principal Repaid on Housing Advances	-
6	Repayment of discount received on Right to Buy sales	-
<b>1,244</b>	<b>Total</b>	<b>678</b>

### 7. Capital Expenditure

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

2014/15 £'000		2015/16 £'000
	<b>Capital expenditure</b>	
4	Vehicles, Plant & Equipment	-
-	Intangible Assets	-
-	Land and Infrastructure	37
2,963	Improvements to Council Dwellings	1,862
<b>2,967</b>	<b>Total</b>	<b>1,899</b>
	<b>Sources of finance</b>	
-	Prudential Borrowing	-
(2,876)	Revenue contributions	(807)
(91)	Major Repairs Reserve	(1,092)
<b>(2,967)</b>	<b>Total</b>	<b>(1,899)</b>

### 8. Rent Arrears

During the year 2015/16 rent arrears as a proportion of gross rent income have increased to 3.10% (£391k) from 2.92% (£361k) in 2014/15. The arrears figure includes Housing Benefit overpayments.

31-Mar-15 £'000		31-Mar-16 £'000
361	Rent Arrears at 31 March	391
6	Hostel Arrears	6
(229)	Rent Credits	(251)
-	Hostel Credits	(1)
<b>138</b>	<b>Total</b>	<b>145</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 2015/16.

### 10. Housing Stock

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

31-Mar-15 (number)			31-Mar-16 (number)
528	Houses and Bungalows	- 1 Bedroom	528
887		- 2 Bedroom	887
1,043		- 3 Bedroom	1,032
37		- 4 Bedroom	37
2		- 5 Bedroom	2
223	Flats, Bedsits and Maisonettes	- 1 Bedroom	223
376		- 2 Bedroom	375
1		- 3 Bedroom	1
2	Multi Occupied Dwellings (Hostels)		2
<b>3,099</b>	<b>Total</b>		<b>3,087</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.

2014/15 £'000		2015/16 £'000
2,414	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	2,406
<b>2,414</b>	<b>Total</b>	<b>2,406</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 2015/16 the impairment charge is £1.564m (£3.452k in 2014/15).

**THE COLLECTION FUND**

2014/15			2015/16		
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000	Notes
		<b>Income</b>			
(45,139)	-	Income from Council Tax (net of benefits and transitional relief)	(46,914)	-	2
-	(43,849)	Income from NNDR (net of discretionary and mandatory reliefs)	-	(44,882)	3
-	(13)	Transitional protection payments	-	-	
<b>(45,139)</b>	<b>(43,862)</b>	<b>Total Income</b>	<b>(46,914)</b>	<b>(44,882)</b>	
		<b>Expenditure</b>			
43,932	26,157	Precepts and demands	46,360	26,501	4
-	20,951	Payment to central government	-	21,134	
-	-	Transitional protection payments	1	223	
		Bad and doubtful debts			5
199	188	- Write offs	218	484	
7	(129)	- Movement in bad debts provision	(74)	(155)	
		Provision for appeals			6
-	(230)	- Movement in appeals provision	-	3,016	
-	118	Transfers to General Fund	-	118	
		- Costs of collection			
		Contributions			
549	(6,949)	- Towards previous year's Collection Fund Surplus	614	219	
<b>44,687</b>	<b>40,106</b>	<b>Total Expenditure</b>	<b>47,119</b>	<b>51,540</b>	
<b>(452)</b>	<b>(3,756)</b>	<b>(Surplus) / Deficit for the year</b>	<b>205</b>	<b>6,658</b>	
		<b>COLLECTION FUND BALANCE</b>			
<b>(1,164)</b>	<b>7,793</b>	<b>Balance Brought Forward</b>	<b>(1,616)</b>	<b>4,037</b>	
(452)	(3,756)	(Surplus) / Deficit for the year	205	6,658	
<b>(1,616)</b>	<b>4,037</b>	<b>Balance Carried Forward</b>	<b>(1,411)</b>	<b>10,695</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	25	5/9	14	884.56
A	7,416	6/9	4,944	1,061.47
B	6,960	7/9	5,413	1,238.38
C	7,066	8/9	6,281	1,415.29
D	5,191	1	5,191	1,592.20
E	4,052	11/9	4,952	1,946.02
F	2,238	13/9	3,233	2,299.84
G	851	15/9	1,418	2,653.67
H	51	18/9	102	3,184.40
<b>Total</b>	<b>33,850</b>		<b>31,548</b>	
Impact of anticipated changes to council tax base			-	
Reduction due to the council tax reduction scheme			(2,044)	
Less allowance for non-collection			(387)	
<b>COUNCIL TAX BASE</b>			<b>29,117</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 (£1,592.20 for 2015/16) 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 2016 was 100.073m (98.387m in 2014/15). The national non-domestic multiplier for the year was 49.3p (48.2p in 2014/15), with a reduction to 48.0p (47.1p in 2014/15) for small businesses. This gives a total sum collectible of £48.035m (£47.423m in 2014/15) before taking into account reliefs and allowances.

### 4. Precepts and Demands

2014/15			2015/16	
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000
30,294	3,771	North Yorkshire County Council	32,028	3,804
5,860	-	North Yorkshire Police Authority	6,195	-
1,779	419	North Yorkshire Fire & Rescue Authority	1,881	423
5,999	21,967	Selby District Council (including parishes)	6,256	22,274
<b>43,932</b>	<b>26,157</b>	<b>Total</b>	<b>46,360</b>	<b>26,501</b>
-	20,951	Central Government	-	21,134
<b>43,932</b>	<b>47,108</b>	<b>Total</b>	<b>46,360</b>	<b>47,635</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.

2014/15			2015/16	
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000
199	188	Write-offs during the year	218	484
(206)	(59)	Contributions to provisions during the year	(144)	(329)
<b>(7)</b>	<b>129</b>	<b>Net (increase)/decrease in provision in year</b>	<b>74</b>	<b>155</b>
(578)	(826)	Balance at 1 April	(585)	(697)
<b>(585)</b>	<b>(697)</b>	<b>Balance at 31 March</b>	<b>(511)</b>	<b>(542)</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 22 of the Core Financial Statements, and the movement analysis is shown below.

2014/15			2015/16	
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000
26	75	Write-offs during the year	30	195
(27)	(24)	Contributions to provisions during the year	(20)	(132)
<b>(1)</b>	<b>51</b>	<b>Net (increase)/decrease in provision in year</b>	<b>10</b>	<b>63</b>
(77)	(331)	Balance at 1 April	(78)	(280)
<b>(78)</b>	<b>(280)</b>	<b>Balance at 31 March</b>	<b>(68)</b>	<b>(217)</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.

2014/15			2015/16	
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000
-	221	Amounts charged to provision	-	150
-	-	Contributions to provision during the year	-	(3,166)
-	9	Unused amounts reversed during the year	-	-
-	<b>230</b>	<b>Net (increase)/decrease in provision in year</b>	-	<b>(3,016)</b>
-	(1,285)	Balance at 1 April	-	(1,055)
-	<b>(1,055)</b>	<b>Balance at 31 March</b>	-	<b>(4,071)</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-15 £'000	Movement in 2015/16 £'000	Balance at 31-Mar-16 £'000
Council Tax Debtors	2,564	(23)	2,541
Council Tax Prepayments	(988)	8	(980)
Non Domestic Rates Debtors	2,080	(669)	1,411
Non Domestic Rates Prepayments	(242)	(70)	(312)
<b>Net</b>	<b>3,414</b>	<b>(754)</b>	<b>2,660</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.

2014/15			2015/16	
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000
		<u>Debtors</u>		
344	532	Balance at 1 April	338	832
(6)	300	Movement in year	237	(268)
<b>338</b>	<b>832</b>	<b>Balance at 31 March</b>	<b>575</b>	<b>564</b>
		<u>Prepayment</u>		
(113)	(154)	Balance at 1 April	(130)	(96)
(17)	58	Movement in year	(2)	(28)
<b>(130)</b>	<b>(96)</b>	<b>Balance at 31 March</b>	<b>(132)</b>	<b>(124)</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.

2014/15			2015/16	
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000
(1,120)	363	North Yorkshire County Council	(976)	963
(217)	-	North Yorkshire Police Authority	(188)	-
(66)	40	North Yorkshire Fire & Rescue Authority	(57)	107
-	2,019	Central Government	-	5,347
(213)	1,615	Selby District Council (including parishes)	(190)	4,278
<b>(1,616)</b>	<b>4,037</b>	<b>Total</b>	<b>(1,411)</b>	<b>10,695</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.

### **Curtailment**

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

## **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 Movement in Reserves Statement 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 Chief Finance Officer.

### **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**

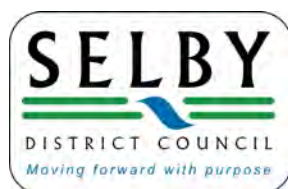
In relation to a defined benefit pension scheme these are for active members, benefits to which they would unconditionally be entitled on leaving the scheme, for deferred pensioners, their preserved rights and for pensioners, pensions to which they are entitled.

### **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.



# **Annual Governance Statement 2015/16**



## **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 in 2011 the Council revised its governance framework. 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.
- 2.4 At the Local Government Elections in 2015, the Council reduced its number of Members from 41 to 31 following a boundary review.

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

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

- The Council's are reflected in its Corporate Plan. The current plan, which was approved by Full Council on 21<sup>st</sup> April 2015 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 and Governance 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 an Assistant 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 Council has recently undergone a significant re-structure, resulting in a number of senior management changes. The new structure was implemented in April 2016.
- The re-structure involved the abolishing of the Access Selby Board and structure, however the Access Selby brand was retained for trading purposes with the functions previously within it now reporting to two newly created posts of Director of Corporate Services & Commissioning and Director of Regeneration and Place.
- As part of the restructure, the Solicitor to the Council 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 Chief Finance Officer (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 Chief Officer (s151) is a member of the Leadership Team, although they are employed by North Yorkshire County Council having transferred as part of the Better Together collaboration programme between the two councils.
- 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 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;
    - 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 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 maintenance of a Risk Register comprising both Corporate and Operational risks for the Council as a whole, assigned to designated officers, with appropriate counter-measures and an action plan established for each key risk;
  - detailed Service Based Risk Registers (SBRR) which have been updated along with a mechanism for feeding up to the corporate Risk Register;
  - the Leadership Team keep the corporate risk management arrangements under review;
  - periodic review of risks in-year with reports to the Audit and Governance Committee and the Leadership Team;
  - the Audit and Governance 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 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 Chief Finance Officer (s151), as designated Senior Information Risk Owner (SIRO), sponsors 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 has been reported regularly to the Audit and Governance Committee during the last 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 2015 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 Leadership Team 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 and Governance 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 Chief Finance Officer (s151) supports the Audit and Governance 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 we have identified in relation to specific audits. We have not recommended any issues to be considered for inclusion in the Annual Governance Statement*
- However, one audit which is still at the draft report stage may be considered for potential inclusion in the Annual Governance Statement; this relates to Disaster Recovery. The draft findings of the audit are still subject to discussion with management. A review of disaster recovery, security and back up arrangements have taken place through the NYCC/IT shared service and work has begun to mitigate the key risks through various changes in procedures, processes and documentation and to align closer to disaster recovery processes at NYCC.

- 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 Leadership Team (previously the Corporate Management Team), and the Audit and Governance Committee. The Audit and Governance Committee has approved a revised Risk Management Strategy. Access Selby's Strategic Risk Register was maintained and reported to the Access Selby Board during the year;
- In addition, Veritau has provided risk management training to key officers and circulated risk management guidance, designed to complement the Risk Management Strategy.
- The Council's Risk Register will be due a full review in 2016/17
- 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 potential new issue relating to disaster recovery remains in discussion and may be added to the action plan before this Statement is formally approved in September 2016. A detailed plan to address existing weaknesses and ensure continuous improvement in the system of internal control has been produced and this will be subject to regular monitoring by the Council's Leadership Team and the Audit and Governance Committee, where appropriate. The aim is to address any remaining weaknesses during the 2016/17 financial year.

## Appendix A

Year	Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
2012/13	ICT 2011/12.  Risks have been identified around disaster recovery, security and back-up arrangements. As IT is fundamental to the Council achieving its goals it is important that systems and processes are robust.	Internal Audit report.	The IT Manager will ensure that agreed actions are implemented.	IT Manager  31 March 2016	Completed.
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 Head of - Finance and Heads of Service  Immediate	Good progress has been made on the majority of reconciliations but there were some delays on payroll due to system changes at NYCC, and revenues and benefits. Reconciliations will continue to be closely monitored through 2016/17.
2013/14	Information Governance and breaches in Data Protection are not adequately managed.	Internal Audit Report	Plans are now in place to: <ul style="list-style-type: none"> <li>• Assign clear roles and responsibilities;</li> <li>• Approve and implement the</li> </ul>	Solicitor to the Council  31 March	Information Governance update report on Audit and Governance Committee agenda 13

## Appendix A

Year	Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
			necessary policies and procedures; • Deliver a targeted training programme; • Ensure adequate reporting arrangements; and • Consider appropriate disciplinary procedures for data breaches.  Internal Audit to assist/advise.	2016	January 2016
2014/15	Non compliance with the Payment Card Industry Data Security Standard (PCI DSS)	Internal Audit report	Agreed actions: • Management responsibility has been defined • The cardholder data environment will be mapped and documented • Policies and procedures will be developed in relation to PCI DSS • Dependencies on third parties will be explored and assessed • Responsibility for completing annual self-assessment questionnaires will be assigned  Internal Audit to assist/advise.	Lead Officer Data and Systems  <del>31 March 2016</del> 31 May 2016 Amended deadline	Key milestones and stakeholders have been identified with the intention for new policies and procedures and a completed self-assessment questionnaire by end of May 2016.  PCI-DSS consultants on-site on 3 <sup>rd</sup> & 4 <sup>th</sup> May 2016 to assess current software and hardware infrastructure.

## Appendix A

Year	Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
2015/16	A further review of ICT disaster recovery arrangements has been undertaken in 2015/16 – at the time of drafting this statement the findings of a draft internal audit report have not been finalised – this may lead to further actions for 2015/16.				

\_\_\_\_\_  
**Mary Weastell**  
**Chief Executive**

\_\_\_\_\_  
**Councillor Mark Crane**  
**Leader of the Council**

# **AGENDA ITEM: 9**

## **APPENDIX**

### **Statement of Accounts 2015/16 – Explanatory Notes**

#### **1 Introduction**

- 1.1 This paper supports the report and statutory Statement of Accounts presented to Audit Committee for approval. It provides explanations and commentary on the main issues within the accounts to facilitate robust scrutiny and challenge of the accounts prior to approval.
- 1.2 The purpose of the Statement of Accounts is to give the public, councillors, employees, other stakeholders and interested parties clear information about the Council's finances. In summary the accounts should show:
- The cost of the services provided by the Council over the year
  - Where the money came from to pay for these services
  - The Council's assets and liabilities at the end of the financial year.
- 1.3 The accounts have been compiled using the "Code of Practice on Local Authority Accounting in the UK 2015/16" (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

#### **2 Narrative Statement**

- 2.1 The purpose of the Narrative Statement is to provide an easily understandable guide to the most significant matters reported in the accounts. It includes details of:
- The statements included in the accounts.
  - A summary of the Councils revenue income and expenditure for the year and variances against the previous year's figures.
  - A summary of capital expenditure and how this was financed.
  - Changes to accounting policies and practice.
  - Any other significant matters.

#### **3 Statement of Responsibilities for the Statement of Accounts**

- 3.1 This statement sets out the various responsibilities for the accounts:
- The Council's responsibilities under local government legislation.
  - The Chief Finance Officer's legal and professional responsibilities.
- 3.2 This statement must be signed by the Chair of the meeting which approves the accounts and the Chief Finance Officer. .

4 Movement in Reserves Statement

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

## APPENDIX B

Description	2014/15 £'000	2015/16 £'000	Variance £'000	Comment
(Surplus) / Deficit on Provision of Services	(10,736)	(7,902)	2,834	Main variations are identified in paragraph 5.2.
Other Comprehensive Income & Expenditure	3,469	(3,666)	(7,165)	A significant element of the £3,666k relates to improved assumptions about the value of the Council's pension fund liability as at 31 March 2016, compared to assumptions used the prior year, which are then credited as notional accounting adjustments to the Income and Expenditure Account (£3,063). The reduction in the pension fund liability has arisen due to changes in assumptions on future salary values of staff, future pension payment inflationary increases and the extent to which these liabilities are discounted over and extended period of time. The Council also achieved gains on the upward revaluation of fixed assets of £603k. These revaluations do not create real cash gains, however under accounting guidance they need to be credited to the Income and Expenditure Account.
Balance on Total Authority Reserves at 31 March	(66,380)	(77,948)	(11,568)	This represents the increase in the net wealth or value of the Council over the year.

### 5 Comprehensive Income and Expenditure Statement

5.1 The purpose of the Comprehensive Income and Expenditure Statement is to show the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (council tax) or dwelling rents.

- Expenditure and income directly related to the services provided by the Council (Net total £3,949k).



- Expenditure and income not directly attributable to services but to the Council as a whole .
- Income received in respect of general government grants and local taxation (bringing the overall net total on provision of Services to a surplus of £7,902k)
- Net surplus on revaluation of Non-Current Assets of £3,666k (bringing the overall total of Comprehensive Income and Expenditure to a surplus of £11,568k).

The total on this statement represents the net surplus or deficit on the Council's provision of services for the year.

- 5.2 When considering this statement Councillors should note the following major variances between 2014/15 and 2015/16:

## APPENDIX B

Description	2014/15 £'000	2015/16 £'000	Variance £'000	Comment
Exceptional item - business rates	(361)	0	361	Prior year's deferred rates income retained by the Council.
Expenditure – Central Services	1,120	1,575	455	2015/16 includes costs for 2015 Elections £112k. In addition, increase in internal recharges to NNDR £129k, as a result of the retention scheme.
Expenditure – Cultural & Related services	1,278	1,104	(174)	Commuted sum payment to WLCT in 14/15 (£348k) for investment in Selby leisure centre, plus savings in contract payments following opening of new centre £103k. Offset by increase in capital charges mainly attributable to opening of new centre, £244k
Income - Planning	(959)	(1,293)	(191)	Increased income on development control (£160k) from large planning applications submitted.
Expenditure – Planning	1644	2717	1,073	A number of one off projects- Programme for Growth Projects £335k, PLAN Selby Project £244k, Tour De Yorkshire £140k Plus Planning Agency costs to assist with increased applications £151k, and revaluation of Burn Airfield £116k.

## APPENDIX B

Exceptional item Revaluation costs of land now used as car parks	478	0	(478)	Two areas of land formerly held as potential development land are now valued as car parks (the former civic centre and the Tadcaster redevelopment area).
Expenditure – Corporate and Democratic Core	1,543	2,096	553	Better Together project expenditure £101k and Customer and Community Project £79k. One-off exit packages of over £100k were also costed to this heading.
Expenditure – Environmental & Regulatory Services	4,910	5,404	494	Great Heck site clearance £307k. Increase share of central overheads £176k
Expenditure – Local Authority Housing (HRA)	6,211	6,791	580	Impairment charges on HRA assets £506K
<b>Other Operating Expenditure:</b>				
Gain on the disposal of non- current assets	(812)	(230)	(582)	Reflects differences between the value of fixed assets sold, when compared to their market value at the time of the sale.
<b>Other Comprehensive Income:</b>				
Surplus or deficit on revaluation of property, plant and equipment	(1,060)	(603)	(457)	Impact on the accounts of the 5 yearly valuation of non-dwelling assets during 2014/15.
Remeasurement of the net defined benefit liability	4,529	(3,063)	7,592	This figure reflects the year end actuarial valuation of the Council's share of the pension fund assets and liabilities. The significant change reflects changing assumptions in how the pension fund liability of the Council is measured in terms of the rate of asset & liability discounting, changes in levels of staff pay increases and future levels of inflation.

5.3 Councillors will note that the Comprehensive Income and Expenditure of the Council has moved from a surplus of £7,267k at the end of 2014/15 to a surplus of £11,568k at the end of 2015/16, a net increase in surplus of £4,301k - the variances identified above make up the majority of this movement.

6 Balance Sheet

6.1 The purpose of the balance sheet is to show what the Council's assets and liabilities are at the end of the year.

6.2 Explanations for key variances between 2014/15 and 2015/16 are set out in the table following.

<b>Description</b>	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>	<b>Variance £'000</b>	<b>Comment</b>
Property Plant & Equipment.	123,238	129,135	5,897	Net effect on the value of the Council's assets in year acquisition/enhancement of £8.638m, and £437k on leased assets. Net revaluations (£1.349m), depreciation (-£1.328m) and the book value of the council assets sold during the year (-£502k). The main areas of acquisition and enhancement related to the construction of the new Leisure Village (5.0m), the purchase of Burn Airfield (£1.8m) and improvements to housing infrastructure (1.8m).
Intangible Assets	-	165	165	Additions relating to IT projects (£206k) and in particular for software licenses for Access to Services, Planning Public Access, the Council's E-mail system, Finance System, Revenue; and Benefit System and Housing IT projects. This was offset by amortisation of £41k.
Long Term Debtors	355	814	459	Movement mainly attributable to the granting of additional Loans to Selby District Housing Trust for the construction of affordable

## APPENDIX B

				housing developments at St Joseph's Street and Kirkgate in Tadcaster.
Short Term Investments & Loans	9,038	0	(9,038)	The Council's investments are now managed by NYCC, and are included as cash and cash equivalents.
Short Term Debtors	6,116	9,271	3,155	Increase in amounts owed by DCLG for share in NNDR balances
Cash and Cash Equivalents	15,027	25,509	10,482	This increase is primarily due to all the Council's investments now being managed by NYCC and repayable on demand.
Provisions	(474)	(2,040)	(1,566)	Increase in provisions for NNDR appeals £1,206k, plus provision made for exit packages resulting from organisational restructure.
Defined Benefit Pension Scheme	(22,869)	(20,443)	2,426	Year-end actuarial valuation of the Council's share of the North Yorkshire Pension Fund liabilities reduced, primarily due to changing assumptions about the value of the net pension fund liability.

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<b>Description</b>	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>	<b>Variance £'000</b>	<b>Comment</b>
Usable Reserves	(19,549)	(24,787)	(5,238)	Net increase in earmarked reserves (£2,994k) during 2015/16 through planned contributions and savings generated during the year and utilising the previously set aside money to meet the Council's share of Business rates year-end deficit. Contributions to the Major Repairs Reserve (-£1,837k) from the HRA income and expenditure account, including sums set-side to meet future debt repayment costs.
Unusable Reserves	(46,831)	(53,161)	(6,330)	Significant movements in Unusable Reserves include adjustments to the Capital Adjustment Account for the costs of depreciation of assets in year, offset by financing new capital expenditure and the receipt of HRA voluntary set-aside (net changes of -£5,852); movements in the pensions reserve (£2.427m) in line with year-end actuarial valuation of the Council's share of the North Yorkshire Pension Fund assets and liabilities, and the collection fund adjustment account (-£2.514m) which includes the Council's share of the net year-end business rates surplus for which money has been set aside in earmarked reserves.

7 Cash Flow Statement

7.1 The purpose of the cash flow is to show the inflow and outflow of cash as a result of transactions that have occurred between the council and third parties. The cash flow analyses these transactions between those associated with revenue operations and capital activities.

7.2 Councillors may wish to note the following explanations for key variances when compared with 2014/15.

Description	2014/15 £'000	2015/16 £'000	Variance £'000	Comment
Net (Surplus)/ Deficit on the provision of services	(10,736)	(7,902)	2,834	Refer to Para 5.2 for an explanation of key variances.
Adjustments to net (surplus)/deficit on the provision of services for non-cash movements	(5,203)	(6,635)	(1,432)	Comprises net increase in depreciation, amortisation, impairment and revaluations charged for council assets £742k, an increase in the contributions to provisions £1,606, mainly relating to NNDR appeals. This is offset by a smaller movement in debtors compared with 14/15 (£276k), a larger increase in pension liability (£253k) and other smaller non-cash adjustments.
Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	1,833	1,090	743	Includes the movement in interest paid and received and capital grants and contributions used to fund capital expenditure, particularly the Selby Leisure Village build.
Investing Activities	5,963	(1,148)	7,111	£6m movement in short-term investments due to final balances being repaid and entering into NYCC arrangement. £1.871m reduction in capital spend, mainly relating to HRA dwellings and Home Improvement Loans.

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Description	2014/15 £'000	2015/16 £'000	Variance £'000	Comment
Financing Activities	3,822	4,113	291	Reflects movement in net debtors/creditors on council tax and NNDR.

### 8 Housing Revenue Account Income and Expenditure Statement, Movement on the Housing Revenue Account Statement and Note to the Movement on the Housing Revenue Account Statement

- 8.1 The Housing Revenue Account (HRA) is a statutory ring fenced account, to be accounted for completely separately to the General Fund. The purpose of the HRA Income and Expenditure Account, Movement on the HRA Statement and Note to the Movement on the HRA Statement is the same as for the General Fund.
- 8.2 The information from the HRA statements are combined (known as consolidated) with the General Fund to give the overall position of the Council's financial health.
- 8.3 Explanations for key variances between 2014/15 and 2015/16 are as follow:

#### Income and Expenditure Account:

Description	2014/15 £'000	2015/16 £'000	Variance £'000	Comment
Depreciation and Impairment of non-current assets	1,600	2,067	467	Increase in impairments charged for Council Dwellings, £260k, plus in 14/15 there was £246k credited to service for reversing out prior impairment losses due to increase in values at that year end.
Dwelling Rents	(12,335)	(12,524)	(189)	Increase in rents due from tenants by an average of 2.2% based upon the Retail Price Index level in September 2014 which influences the calculation. This was the final year of the rent restructuring model.
(Gain) or loss on sale of HRA non-current assets	(812)	(175)	637	Lower level of activity under Right to Buy scheme.



Note to the Movement on the HRA Statement

<b>Description</b>	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>	<b>Variance £'000</b>	<b>Comment</b>
(Surplus) / Deficit for the year on HRA services	(4,430)	(3,561)	869	Major movements included in above analysis of I&E
<b>Difference Between Accounting basis and funding basis</b>				
(Gain) or loss on sale of HRA non-current assets	812	175	(637)	Lower level of activity under Right to Buy scheme. – Reversing of items charged to I&E above
Capital expenditure funded by the HRA	1,562	665	(897)	Changes to the funding of the HRA capital programme, reduction in spend against 14/15 is due to the completion of the Airey property scheme.
Transfer to / (from) Major Repairs Reserve	2,402	2,927	525	Core surpluses transferred to the MRR to support future capital spend.
Transfer to / (from) Housing Carry Forward Budget Reserve	209	585	376	Movement in authorised carry forwards between years.

9. Housing Revenue Account Notes

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

10 Collection Fund

10.1 The Collection Fund reflects the statutory responsibilities for billing authorities to maintain a separate account for the transactions relating to the collection of Council Tax and National Non-domestic Rates and the distribution of these monies to precepting authorities and central Government. The costs of administering collection are accounted for in the General Fund.

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

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Description	2014/15 £000's	2015/16 £000's	Variance £000's	Comment
Income from Council Tax	(45,139)	(46,914)	(1,775)	Increase in the tax base partially due to increase in number of homes into the district, slightly offset by an increase to the number of properties in the reduction scheme.
Income from NNDR	(43,849)	(44,882)	(933)	The value of rateable business properties has increased across the district since 14/15, in addition to an increase in the rate multiplier.
Precepts and demands - council tax	43,932	46,360	2,428	Increase in CTax paid to precepting bodies in line with the demands received from them.
Precepts and demands - NNDR	26,157	26,501	344	This is the amount paid to SDC, the County and the Fire Authority as their share of the NNDR income collected in the year.
Payment to central government	20,951	21,134	183	This is the amount paid to government as its share of the nndr income collected in the year.
Transitional protection payments	-	233	233	This relates to revaluations during 15/16 that have resulted in Transitional Protection Payments, which are reliefs given to phase the increase over a number of years.
Provision for Appeals	(230)	3,016	3,246	The main reason for the large increase in requirement for appeals provision relates to active appeals for Eggborough and Drax Power Stations

### 11 Glossary

- 11.1 This explains the technical terminology used throughout the Statement of Accounts.

**12 Annual Governance Statement**

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

**13 Conclusions**

- 13.1 The Council budgeted to make a deficit of £59k on General Fund services in 2015/16. The actual position for the year shows that savings of £608k enabled £324k to be transferred to the Business Development reserve and £284k to Contingency reserve. The reasons for variances against various budgets are set out in the Narrative Statement but mainly relate to additional grant funding such as New Burdens and Welfare Reform, Planning Fee Income, Internal Recharges between the HRA and General fund, and Housing Benefits.
- 13.2 The budget for the Housing Revenue Account (HRA) was set to contribute £1.268m to the Major Repairs Reserve (MRR) and £94k to HRA balances, however the out-turn was a surplus of £1.672m. The surplus was allocated to the HRA balance (£10k) and to the MRR (£1.662m). The reasons for the variations are set out in the Narrative Statement (page 10) but mainly related to savings from repairs and maintenance of dwellings, increase in recharges offset by an increase in internal recharges from the General Fund.
- 13.3 Capital expenditure for the General Fund and HRA totalled £9.471m against a budget of £14.588m, giving a variance of £3.207m on the General Fund and £1.911m on the HRA. The majority of the variance within the General Fund relates to funding required for affordable housing projects, completion of the Leisure Village and slippage on ICT and maintenance schemes. The HRA variance related to slippage on programmed roofing projects, heating system replacement, refurbishment and responsive works on the Council's properties. Budgets have been carried forward to 2016/17 to complete and progress these schemes.
- 13.4 The following table highlights extracts from the Statement of Accounts to show the key elements of the Council's financial position at the end of March 2016 compared with the previous financial year.

## APPENDIX B

Description	As at 31 March 2015 £'000	As at 31 March 2016 £'000	Movement  £'000	Comment
Property, Plant and Equipment	123,238	129,135	5,897	Net effect on the value of the Council's assets in year acquisition/enhancement of £8.638m, and £437k on leased assets. Net revaluations (£1.349m), depreciation (-£1.328m), and the book value of the council assets sold during the year (-£502k).
Investment Property	500	500	-	
Intangible Assets	-	165	165	Investment in IT projects
Long Term Investments	7	-	(7)	All the Council's investments have matured and cash balances are now managed by NYCC
Short Term Investments	9,038	-	(9,038)	As above.
Long Term Debtors	355	814	459	Movement mainly attributable to Loans to SDHT
Short Term Debtors	6,116	9,426	3,310	Increase in amounts owed by DCLG for share in NNDR balances
Inventories	8	8	-	
Cash and cash equivalents	15,027	25,509	10,482	The Council's cash balances are now fully managed by NYCC
<b>Total Assets</b>	<b>154,289</b>	<b>165,402</b>	<b>11,113</b>	
Short Term Borrowing	(629)	(581)	48	Reflects the amounts due to be paid within 12 months for Finance Leases and Long Term Debt.

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<b>Description</b>	<b>As at 31 March 2015 £'000</b>	<b>As at 31 March 2016 £'000</b>	<b>Movement  £'000</b>	<b>Comment</b>
Long Term Borrowing	(60,299)	(60,299)	-	These are the loans from the PWLB to fund the HRA self financing settlement payment, together with other PWLB and LGS Loans
Short Term Creditors	(3,162)	(3,443)	(281)	Movements in amounts owed by the Council to various types of organisations
Provisions	(474)	(2,040)	(1,566)	Increase in provisions for NNDR appeals £1,206k, plus provision made for exit packages resulting from restructure.
Revenue Grant Receipts in advance	(153)	(484)	(331)	Further receipt of Transformation Challenge award received in 15/16 to fund on-going projects.
Liability related to Defined Benefit Pension Schemes	(22,869)	(20,443)	2,426	Year-end actuarial valuation of the Council's share of the North Yorkshire Pension Fund liabilities.
Finance Leases	(323)	(319)	4	
<b>Total Liabilities</b>	<b>(87,909)</b>	<b>(87,454)</b>	<b>(455)</b>	
<b>TOTAL NET ASSETS</b>	<b>66,380</b>	<b>77,948</b>	<b>11,568</b>	
General Fund Balance	(1,674)	(1,467)	207	Contribution from service costs as per budget and year-end approval.
Earmarked Reserves	(12,296)	(15,290)	(2,994)	Movements relate to drawdowns to cover growth bids and capital projects, with budgeted contributions made to reserves to fund future projects and mitigate financial risks. Yearend GF surpluses transferred to earmarked reserves.
Housing Revenue Account	(2,256)	(2,267)	(11)	Contribution from service costs as per year-end approval.

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<b>Description</b>	<b>As at 31 March 2015 £'000</b>	<b>As at 31 March 2016 £'000</b>	<b>Movement  £'000</b>	<b>Comment</b>
Major Repairs Reserve	(1,092)	(2,929)	(1,837)	Contribution to the reserve to provide resources to fund future HRA capital programme schemes.
Capital Receipts Reserve	(2,003)	(2,521)	(518)	Sales receipts in 2015/16 offset by use to support the capital programme, mainly the new Leisure Village.
Capital Grants Unapplied	(228)	(313)	(85)	
Revaluation Reserve	(2,906)	(3,467)	(561)	Net upward revaluations of non-current assets.
Available for sale Financial Instruments Reserve	4	4	-	
Capital Adjustment Account	(63,029)	(68,881)	(5,852)	In-year depreciation and assets disposed of costs, offset by financing new capital expenditure and HRA Voluntary set-aside.
Financial Instruments adjustment account	16	13	(3)	
Pensions Reserve	22,869	20,442	2,417	In line with the movement on Pensions Liability.
Collection Fund Adjustment Account	(3,785)	(1,271)	2,514	This account manages the differences arising from recognition of Ctax and NNDR income in the CIES and statutory arrangements for payment of balances.
<b>TOTAL NET WORTH</b>	<b>(66,680)</b>	<b>(77,948)</b>	<b>(11,268)</b>	

**To:** Audit & Governance Committee  
**Date:** 28 September 2016  
**Author:** John Raine, Head of Technical Finance  
**Lead Officer:** Karen Iveson, Chief Finance Officer

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**Title:** Annual Governance Statement 2015/16

**Summary:** The report presents the Annual Governance Statement (AGS) 2015/16 for approval.

**Recommendation:**

**That Councillors approve the 2015/16 Annual Governance Statement.**

**Reasons for recommendation:**

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

It must be approved by the Audit and Governance Committee and will be signed by the Leader of the Council and the Chief Executive.

**1. Introduction and background**

- 1.1 Good governance is important to all involved in local government; however, it is a key responsibility of the Leader of the Council and the Chief Executive.
- 1.2 The preparation and publication of an annual governance statement in accordance with the CIPFA/SOLACE Framework is necessary to meet the statutory requirements set out in Regulation 4(2) of the Accounts and Audit Regulations which requires authorities to “conduct a review at least once in a year of the effectiveness of its system of internal control” and to prepare a statement of internal control “in accordance with proper practices”.

## **2. The Report**

- 2.1 The CIPFA/SOLACE Framework defines proper practices for the form and content of a governance statement that meets the requirement to prepare and publish a statement on internal control. There is no requirement to prepare and publish a separate statement on internal control.
- 2.2 Subsequent to CIPFA “Statement on the role of the Chief Financial Officer in Local Government”, which was issued in 2010, it is now expected that the AGS will include a specific statement on whether the Council’s financial management arrangements conform to the governance requirements of the statement. Furthermore where they do not, to explain why and how the Council’s arrangements deliver the same impact.
- 2.3 At Selby there is full compliance as the Chief Finance Officer is a member of the Strategic Management Team.
- 2.4 The External Auditor has considered the AGS as part of his review of the Statement of Financial Accounts. The Auditor is required to issue his opinion on the accounts and “sign them off”.
- 2.5 The AGS provides public assurance that local authority has a sound system of internal control, designed to help manage and control risks that will impede the achievement of its objectives. The AGS should not be seen as a purely financial requirement, but as an important public expression of what the Council has done, how it sets out priorities, monitors performance and has put in place good business practice. It is also about the process for ensuring high standards of conduct and is a means of demonstrating sound governance. The requirement for it to be signed by at least the Leader and the Chief Executive reflects the importance for which it is viewed.
- 2.6 In common with most local authorities, the council has a well established system of internal control in place. However, the AGS process requires the Council to formally demonstrate what these controls are and how they safeguard against the most significant risks to the organisation and to gain assurance, based on evidence, that these controls are operating effectively, or where they are not, to identify areas for improvement.
- 2.7 Assurance can be provided by evidence from a number of sources including: inspection records, external audit reports, internal audit reports and direct assurance from managers. It is the responsibility of both councillors and chief officers to obtain and provide such assurance. The production and publication of an AGS is therefore not an isolated act, but the final stage in a continuing review of internal control processes and procedures.



- 2.8 The AGS is attached at **pages 160 to 170 of the agenda pack** and highlights issues within the Council's control framework that are felt to warrant improvement – relating to Information Governance/Data Protection and reconciliations. Both issues have benefitted from review by management and steps have been taken to mitigate the remaining risk and improve processes.

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

#### **3.1 Legal Issues**

None as a consequence of this report.

#### **3.2 Financial Issues**

None as a consequence of this report.

### **4. Conclusion**

- 4.1 The statement represents progress towards setting the highest Corporate Governance standards and meets the requirements of the Accounts and Audit Regulations.
- 4.2 The process of preparing the governance statement should itself add value to the corporate governance and internal control framework of an organisation.

### **5. Background Documents**

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

#### **Contact Officer:**

John Raine, Head of Technical Finance  
jraine@selby.gov.uk

#### **Appendices:**

Appendix A: Annual Governance Statement 2015/16 – please see pages 160 to 170 of the agenda pack (the Annual Governance Statement is produced as part of the Statement of Accounts under agenda item 9)

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## Public Session

Report Reference Number: A/16/9

Agenda Item No: 11

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**To:** Audit and Governance Committee  
**Date:** 28 September 2016  
**Author:** Daniel Maguire, Democratic Services Officer  
**Lead Officer:** Palbinder Mann, Democratic Services Manager

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**Title:** Consideration of Internal Audit Reports

### Summary:

The Chair of the Audit and Governance Committee receives internal audit reports where the opinion of the auditor is 'Limited Assurance' or 'No Assurance', and has asked that such reports are brought to the attention of the Committee.

The internal auditor, Veritau, has completed an internal audit of the ICT Disaster Recovery systems at Selby District Council. The report concludes that the overall opinion of the audit was that the controls within the system provide 'Limited Assurance'. The report of the internal auditor is provided for the Audit and Governance Committee to consider.

### Recommendations:

**To consider the Internal Audit Report which relates to ICT Disaster Recovery.**

### Reasons for recommendation

*The Chair of the Audit and Governance Committee has requested that internal audit reports that conclude with opinions of 'Limited Assurance' or 'No Assurance' are brought to the Committee.*

#### 1. Introduction and background

- 1.1 The internal auditor, Veritau, completed an audit of ICT Disaster Recovery at Selby District Council. The opinion of the auditor was that ICT Disaster Recovery controls provide 'Limited Assurance'.

- 1.2 Internal audit reports completed by Veritau give an overall audit opinion based on five grades; High Assurance, Substantial Assurance, Reasonable Assurance, Limited Assurance and No Assurance. The assessment of each opinion is listed on page 13 of the audit report (Appendix A).
- 1.3 Actions are identified in the report, and these are allocated a priority level ranging from Priority 1 to Priority 3. The definition of each priority level is provided on page 13 of the audit report (Appendix A).

## **2 The Report**

- 2.1 The report is attached at appendix A and sets out the findings of the internal audit of ICT Disaster Recovery systems and controls.
- 2.2 The purpose of the audit was to provide assurance that procedures and controls will ensure that:
- The council develops, documents and maintains a Disaster Recovery plan;
  - DR roles and responsibilities are clearly identified;
  - DR plans are tested;
  - System restoration is appropriately prioritised; and
  - Data are available for restoration.
- 2.3 The report concludes that the arrangements for managing risk were poor with significant control weaknesses in key areas. The reports notes that major improvements were required before an effective control environment will be in operation. The overall opinion of the controls within the system at the time of the audit was that they provide Limited Assurance.
- 2.3 The report forms the basis for discussion at the Audit and Governance Committee meeting, and the Committee will have the opportunity to ask questions of officers and the internal auditors at the meeting. The Committee can make recommendations to the Executive or Council as appropriate.

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

- 3.1 None.

## **4. Conclusion**

- 4.1 The Committee is asked to consider the internal audit report.

## **5. Background Documents**

None.

### **Contact Officer:**

Daniel Maguire, Democratic Services Officer  
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dmaguire@selby.gov.uk

**Appendices:**

*A – Internal Audit Report; ICT Disaster Recovery 2015/16*

# ICT Disaster Recovery 2015-16

## Selby District Council

### Internal Audit Report

**AGENDA ITEM:  
APPENDIX A**

Business Unit: ICT  
 Responsible Officer: Director of Corporate Services and Commissioning  
 Service Manager: Head of Business Development & Improvement  
 Date Issued: 17th August 2016  
 Status: Final  
 Reference: 76520/009

	P1	P2	P3
<b>Actions</b>	<b>0</b>	<b>7</b>	<b>0</b>
<b>Overall Audit Opinion</b>	Limited Assurance		

# Summary and Overall Conclusions

## Introduction

ICT Disaster Recovery (DR) is the process of recovering information technology systems and services after a natural or human-induced disaster. DR forms part of wider business continuity planning intended to restore normal business functionality as quickly as possible.

Effective ICT DR plans should provide for a structured and timely recovery of services in the event of a disaster, and should help reduce disruption to a pre-determined acceptable and managed level.

Selby District Council's ICT systems support operations throughout the council, with the main server facility located at the Civic Centre. As well as local back-ups to tape, there is also off-site replication of data to council servers housed at Craven District Council (CDC) in Skipton. This formed part of the previous ICT shared service arrangements with CDC.

Reliable back-up of data held in its systems is essential to enable the council to recover and restore business information in the event of a system failure.

We agreed to complete two audits in the 2015/16 internal audit plan relevant to DR and business continuity planning. This audit reviewed ICT DR arrangements. A further audit has reviewed the physical and environmental security of the council's server room.

## Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls will ensure that:

- the council develops, documents and maintains a DR plan;
- DR roles and responsibilities are clearly defined;
- DR plans are tested;
- system restoration is appropriately prioritised; and
- data are available for restoration.

## Key Findings

The council had previously put good practical disaster recovery arrangements in place with CDC. However these are now transitional and both councils are seeking other partners for replication. The council's new service level agreement (SLA) with North Yorkshire County Council (NYCC) does not yet include the provision of DR services.

It was identified that:

- there is no formal ICT disaster recovery plan approved and adopted by management;
- the replication arrangement with CDC is not covered by a formal agreement;
- the existing DR plan does not assign any responsibilities, clarify who would invoke DR or carry out any of the required actions;
- the council has carried out very limited testing of ICT disaster recovery arrangements;
- back-ups are not routinely tested to ensure that they would function correctly and data would be available after a disaster;
- it is unclear how system restoration would be prioritised, and on what basis; and
- dependences on individual members of staff, as well as suppliers and third parties which could affect disaster recovery have not been considered in the plan.

## **Overall Conclusions**

It was found that the arrangements for managing risk were poor with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation. Our overall opinion of the controls within the system at the time of the audit was that they provided Limited Assurance.



# 1 Disaster recovery plans

## Issue/Control Weakness

There is no formal ICT disaster recovery plan approved and adopted by management.

The current plan does not have an internal owner and has not been reviewed since 2013.

Other DR documentation is out of date.

## Risk

Plans may not reflect technical and operational changes, leading to inability to restore services as planned.

SDC management may be unaware of the plan's impact on service restoration and continuity.

## Findings

The ICT DR Plan is in effect a set of instructions for the replication set-up for SDC and CDC, covering how to add or remove virtual servers from the arrangement, as well as DR. It does not include information on recovery from back-up tapes or any other more serious scenarios in which the virtual machines are not available.

The plan is not subject to regular review - the latest version dates from 31/05/2013. Responsibility for reviewing it is not assigned anywhere within it, and as it was created by an external contractor (Razorblue), there is no internal owner. It does not indicate if it was formally approved by SDC management.

It does not cover the council's alternative DR provision, which relies on back-up tapes, or any other scenarios. There is no written procedure for the tape back-ups and the tape back-up rotation strategy is undocumented.

The council has a range of other documents relating to ICT DR, such as a Disaster Recovery Contingency Policy, last updated in 2006, a draft unapproved Service Continuity Plan for ICT from 2011, which also includes more detail, and an IT Business Impact Assessment from 2013. Some of these included more detailed information found in a typical DR Plan, but which is now very outdated.

## Agreed Action 1.1

NYCC will develop a new ICT Disaster Recovery Plan based on the NYCC Disaster Recovery plan, with significant input from SDC.

The plan will be formally approved by SDC senior management.

**Priority**

2

**Responsible Officer**

Heads of Business Development / CCP

**Timescale**

30<sup>th</sup> November 2016

## 2 Roles, responsibilities and contacts in the event of a disaster

### Issue/Control Weakness

Planning documents do not specify who will carry out DR actions, or include any contact details for key officers.

### Risk

Disaster recovery may be delayed or impossible.

### Findings

The ICT DR Plan does not assign any responsibilities or clarify who would invoke the plan or carry out any of the required actions. We are not aware of any other documents which adequately address this matter.

No contact information is included for officers who would carry out DR duties.

### Agreed Action 2.1

The new ICT Disaster Recovery Plan will include responsibilities, invocation procedures and responsibilities for actions etc.

SDC and NYCC will identify officers for each role as appropriate.

#### Priority

2

#### Responsible Officer

Heads of Business Development / CCP

#### Timescale

30<sup>th</sup> November 2016

### 3 Testing of ICT disaster recovery arrangements

#### Issue/Control Weakness

Flaws in the ICT DR Plan cannot be identified and rectified if contingency arrangements are not tested.

#### Risk

Disaster recovery may be delayed or impossible.

#### Findings

The ICT Disaster Recovery Plan states: "It is highly important to perform regular DR tests to highlight any potential issues the District Councils may not be aware of". However, this plan only covers the replication set-up, and the tests referred to would only be of the functionality of replication.

The separate review of the physical and environmental security of the server room has highlighted that the council does not receive any information regarding testing or maintenance of the back-up generator, as its maintenance and testing are managed by the NHS.

While some assurance can be gained from individual tests carried out in isolation, the value of the plan and the council's overall level of resilience can only be judged by carrying out much more comprehensive testing of a true disaster situation, such as simulating the loss of premises, hardware or network infrastructure. The availability of alternative premises and equipment could have a considerable impact on disaster recovery timescales.

#### Agreed Action 3.1

The new ICT Disaster Recovery Plan will include provision for a number of system restoration tests over the period of the agreement.

SDC will determine and document the degree of testing of wider contingency arrangements which it deems sufficient, such as replacement premises, equipment etc.

**Priority**

2

**Responsible Officer**

Heads of Business Development / CCP

**Timescale**

31<sup>st</sup> December 2016

## 4 Prioritisation of system restoration

### Issue/Control Weakness

Information on service restoration priorities is incomplete.

### Risk

The importance of services may not be recognised and prioritised appropriately.

### Findings

No information on system restoration priorities is included in the ICT DR Plan. The latest business impact assessment for IT includes details of priorities, but as mentioned previously, this dates from July 2013 and is likely to be out of date. There is also separate document which lists critical systems, but the Business Manager confirmed that there is no further information beyond this.

Some key pieces of information for each system need to be incorporated into plans or supporting documentation and kept up to date in line with any changes to the council's requirements:

- recovery time objectives - the longest period of time for which the council is able to manage without the system and
- recovery point objectives - the age of the data which are brought back after a disaster, which is dependent on the latest available back-up, and how much data loss and/or re-entry the council will accept.

In practice, the virtualised environment would probably enable all systems to be recovered within minutes of each other, but only once the underlying infrastructure is in place, so it is still important to plan appropriately for other eventualities where this may not be available.

### Agreed Action 4.1

The new ICT Disaster Recovery agreement will provide a framework for prioritising system restoration agreed with the business.

NYCC will carry out a Business Impact Analysis (BIA) in conjunction with SDC, to categorise and document the order of restoration.

**Priority**

2

**Responsible Officer**

Heads of Business Development / CCP

**Timescale**

30<sup>th</sup> November 2016

## 5 Availability of data for restoration

### Issue/Control Weakness

Data back-ups are not routinely tested.

Lack of staff training in back-up processes; dependency on one NYCC officer.

If the Civic Centre was inaccessible, tape back-ups at Vivars would also be inaccessible.

Data on tape back-ups may be up to four weeks old.

Some tape back-ups have been retained for at least eight years.

Anite data are not replicated.

### Risk

Disaster recovery may prove impossible.

Data on tape back-ups may be retained for an excessive amount of time.

### Findings

The council has back-ups on replicated servers at CDC and also tape back-ups held at the Civic Centre and the Vivars Centre in Selby.

The ICT DR Plan highlights the importance of DR tests, and includes a schedule for replication testing at six-monthly intervals running from May 2013 to May 2015. We were advised that the two scheduled tests were carried out in 2013, but since then the schedule has not been followed - or extended - and no further testing has been done. No test results were documented, but the Senior Server Analyst advised that systems could be accessed afterwards.

Alerts are generated automatically to confirm whether routine replication jobs have succeeded or failed. The alerts are sent to four separate email addresses. One of these is no longer directly relevant, as it relates to Craven DC, one is the Selby Helpdesk, and the other two are the work and personal email addresses of the NYCC Senior Server Analyst. He informed us that if a replication job fails for three nights in a row, he investigates. However, the failures are not logged, and other staff have not been trained in the use of the replication software, so if he were unexpectedly absent from work, failed replication jobs may not be investigated and rectified, even though alerts would have been sent to the service desk.

We were also advised that back-up tapes are not routinely tested, although they have been used to restore files when needed, and that back-up tape processes are monitored by Netcentrix, an ICT contractor. We were informed that alerts are usually made by telephone or occasionally by email (example attached from June 2015). Again the Senior Server Analyst is the only current contact, as the alternative contact left SDC some time ago.

There are separate tapes for Mon-Thurs daily and Friday Wks 1-4 weekly. These are held in the data safe in the server room at the Civic Centre and overwritten in those cycles, with the exception of the Week 4 tapes which are taken out of the cycle and transferred to a Lampertz data fire safe at the Vivars Centre. If these were the only back-ups available to the council, the data on them could be up to four weeks old.

The Vivars Centre is approximately two miles from the Civic Centre, although the distance as the crow flies is no more than one mile. A major incident could render both locations inaccessible.

There is one key to the Vivars Centre safe, and it is kept in the Civic Centre server room, so loss of access to the Civic Centre one would make it impossible to retrieve the tapes if they were needed.

Back-up tapes date back to approximately 2008, which may exceed legal retention periods for personal information held on them.

Anite is classed as a critical application by the council, but is not currently covered by replication, as it is too big. It is however backed up to tape.

### Agreed Action 5.1

The new ICT Disaster Recovery agreement will include a programme of backup tests to be put in place. Current arrangements of data replication mitigate some of the risk as backup tapes would only be required if both Selby and Craven experience a disaster at the same time.

Another member of staff has been trained for the current arrangement. Once the DR moves to the NYCC infrastructure it will come under the NYCC processes which are centrally managed.

The tapes which would possibly be required in a DR situation have been moved from the Vivars site to County Hall. The replicated copy of data is up to date and would be used to restore.

Tapes are currently being reviewed and those which are no longer required will be destroyed.

SDC will investigate how Anite can be replicated.

**Priority**

2

**Responsible Officer**

Heads of Business Development / CCP

**Timescale**

28<sup>th</sup> February 2017

## 6 Security of data on back-up tapes

### Issue/Control Weakness

Back-up tapes are not encrypted and could be read by unauthorised persons with the appropriate equipment, if they were lost or stolen while in transit to the Vivars Centre.

### Risk

Unauthorised access to council data, leading to fines or the imposition of other sanctions by the ICO.

### Findings

The council's Information Risk Management Policy states: "Selby District Council undertakes the commitment to review its strategy for risk management and fully incorporate information risks into the Risk Register. By way of example, information risks in Selby District Council could include the loss or compromise of staff and payroll details, personal details of members of the public, benefits records etc..... Some things you may identify as information risks could include use of unencrypted USB sticks....."

However, the council does not encrypt its back-up tapes, although the Week 4 tapes are transferred from the Civic Centre to the Vivars Centre by the NYCC Senior Server Analyst, without any additional security measures. These would hold far more data than a USB flash drive.

### Agreed Action 6.1

SDC will investigate if tape encryption can be enabled.

**Priority**

2

**Responsible Officer**

Heads of Business Development / CCP

**Timescale**

31<sup>st</sup> August 2016

## 7 Dependence on third party services

### Issue/Control Weakness

There is no formal agreement in place to cover the DR arrangement with CDC.

Hosted systems and terms and conditions for services supplied by other third parties may not have been taken into account when the council drew up its plans.

Information relating to provision of these services may not be readily available for reference in the event of a disaster.

### Risk

Suppliers' and partners' business continuity terms may be inconsistent with the council's disaster recovery requirements.

### Findings

The key element supporting the council's ability to recover data and systems after a disaster is the replication arrangement with CDC. This originally formed part of the ICT shared service agreement. However, the shared service came to an end at the end of January 2016. There is now only an informal agreement made by email with CDC's ICT and Transformation Manager that CDC will be given six months' written notice if SDC/NYCC wish to terminate the arrangement, but there does not appear to be any similar agreement from CDC that it would give notice if it no longer wished to host SDC's DR servers.

The latest available (July 2013) business impact assessment for ICT lists a further ten external dependencies, including East Riding of Yorkshire Council, Richmondshire District Council, Civica and Northgate. The field "Do they have a Business Continuity Plan?" is blank for each of these. However, the scope of the ICT DR Plan states: "Any application hosted outside of the individual District Council environment will be outside of the scope of the disaster recovery testing", which is clearly the case, as data reside on third party servers. Access to, and therefore availability of, these systems, is not currently covered by the plan.

Assuming that service level agreements contain all relevant assurances relating to the availability of hosted data, the council still needs to take other factors into consideration, such as the impact of the availability of suitable hardware and software and a functioning network on the ability of its staff to access hosted systems and data.

Other relevant information, such as contact details for key ICT support contractors, such as Netcentrix and Razorblue, is not included in the plan.

### Agreed Action 7.1

The current replication arrangement will be replaced by a new arrangement with NYCC

Priority

2



covered by a formal agreement in relation to DR provision.

SDC will confirm arrangements for restoring hosted systems in a DR situation.

**Responsible Officer**

**Timescale**

Heads of Business  
Development / CCP

31<sup>st</sup> December 2016

# Audit Opinions and Priorities for Actions

## Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

## Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

Where information resulting from audit work is made public or is provided to a third party by the client or by Veritau then this must be done on the understanding that any third party will rely on the information at its own risk. Veritau will not owe a duty of care or assume any responsibility towards anyone other than the client in relation to the information supplied. Equally, no third party may assert any rights or bring any claims against Veritau in connection with the information. Where information is provided to a named third party, the third party will keep the information confidential.

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**Public Session**

**Report Reference Number: A/16/10**

**Agenda Item No: 12**

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**To: Audit & Governance Committee**  
**Date: 28 September 2016**  
**Author: Jonathan Dodsworth, Counter Fraud Manager, Veritau**  
**Lead Officer: Karen Iveson, Chief Finance (s151 Officer)**

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**APPENDIX B IS NOT FOR PUBLICATION. This Report contains exempt information under paragraph 3 of schedule 12A to the Local Government Act 1972 as amended.**

**Title: Counter Fraud Annual Review**

**Summary:**

Counter fraud provision at the council has changed following national developments in the area. The council has engaged Veritau to provide a fraud service looking at a wider range of fraud.

**Recommendation:**

**It is recommended that the committee endorses the new approach the council is taking in addressing fraud against the authority.**

**Reasons for recommendation**

To provide assurance to the committee that the council dealt appropriately with the transfer of fraud work to the DWP and has maintained a robust approach to countering the risk of fraud moving forward.

**1 Introduction and background**

- 1.1 Fraud is a significant issue for all public sector organisations. It is estimated that total fraud loss in the UK amounts to £73 billion per annum, of which £19.9 billion relates to the public sector.
- 1.2 Until recently much of the work of council counter fraud teams involved the investigation of housing benefit and council tax support fraud. This changed when the Department for Work and Pensions (DWP) gradually took over responsibility for the investigation of housing benefit

fraud between 2014 and 2016. Despite being closely linked, the investigation of council tax support remains with councils.

## **2 Recent guidance and developments**

- 2.1 Selby District Council was one of the last authorities nationally to transfer housing benefit investigation to the DWP as part of the Single Fraud Investigation Service (SFIS) project. At that time the council's two trained benefit fraud investigators transferred to the DWP.
- 2.2 The council considered how best to deal with fraud post-SFIS. After an options report to directors, the council engaged Veritau to deliver a counter fraud service. Veritau delivers a similar service to five other local authorities in the area.
- 2.3 Veritau will provide a 'corporate fraud' service which will investigate all types of fraud committed against the authority, e.g. council tax fraud, business rates fraud, council tax support fraud, internal fraud, third party fraud and housing fraud. In addition, the transfer of housing benefit fraud investigation created new responsibilities for local authorities. As the DWP do not have direct access to council systems they exchange information through Local Authority Information Exchange Forms (LAIEFs). Veritau also administer the LAIEF service on behalf of the council and have processed 65 requests since March.
- 2.4 Creating a 'corporate' fraud service has been recommended by government and public sector focussed organisations over the past few years. The latest publication supporting this approach is CIPFA's Local Government Counter Fraud and Corruption Strategy (Appendix A). It cites six areas that local authorities should measure their performance on – development of an anti-fraud culture, ensuring that counter fraud controls have the capability to deal with fraud risks encountered, there is sufficient capacity within the council to deal with fraud, staff dealing with fraud have the right level of skills, fraud issues are communicated within the council, and that the council is collaborating with partners to address fraud.
- 2.5 These issues, amongst others, were considered by Internal Audit in their 2015/16 review of the council's counter fraud arrangements. The report concluded that the council was for the most part meeting expectations in terms of counter fraud but recommended updating the council's Anti-Fraud, Theft and Corruption policy, updating the council's fraud strategy, and considering fraud risk more formally in future.
- 2.6 Veritau will produce a revised Anti-Fraud policy and strategy in consultation with management and other key stakeholders including the Audit and Governance Committee. It is expected that this will be brought to members in January 2017.

- 2.7 The report also recommended and it was agreed that the council would look at fraud and corruption risks as part of overall corporate risk. All council services will formally assess the risk of fraud within their area. To assist with this recommendation Veritau have produced an assessment of fraud risk within the council (Appendix B) which can be used to inform the council's corporate risk register.
- 2.8 To help compare counter fraud performance and support national accounting of fraud the council participated in CIPFA's annual counter fraud and corruption tracker. A national summary report has been released by CIPFA (Appendix C) and an individual benchmarking report is expected mid-October.

### **3 Investigation activity**

- 3.1 The council in partnership with North Yorkshire County Council, City of York Council, Ryedale District Council, Richmondshire District Council and Hambleton District Council, successfully bid for additional government funding to combat fraud last year. This money is currently being used to fund the investigation of council tax and business rates fraud across partner councils. A data sharing agreement has been agreed which has allowed cross boundary data matching exercises to take place amongst member councils. Initial datamatches are focussed on people applying for multiple council tax discounts, e.g. single person discount, with future exercises looking at small business rate relief.
- 3.2 Fraud awareness sessions have been delivered by Veritau to a wide range of staff within the council. These sessions have helped support the anti-fraud culture within the council and encouraged the reporting of suspected fraud to Veritau's counter fraud team. To date Veritau have received 78 fraud referrals across a range of council services.
- 3.3 The counter fraud team has 27 active investigations at this time.

### **4 Legal/Financial Controls and other Policy matters**

#### **4.1 Legal issues**

- 4.1.1 Appendix B to the report is exempt from disclosure under the provisions of paragraph 3 of Schedule 12A to the Local Government Act 1972 as it contains information relating to the financial or business affairs of any person including the authority itself. The appendix contains detailed information relating to the systems and processes that the Council has in place to manage fraud risk. The information, if published, could put the Council at increased risk of fraud. Councillors will need to resolve to meet in private session if they wish to discuss any issues arising from appendix B.

## 4.2 Financial Issues

- 4.2.1 There are no direct financial implications as a result of this report. The cost of counter fraud activity is included within the Council's budget.

## 5 Conclusion

- 5.1 The council has successfully managed the transfer of housing benefit fraud to the DWP and put arrangements in place to investigate new types of fraud against the authority moving forward.

## 6 Background Documents/Contacts

**Contact Officer:** *Jonathan Dodsworth; Counter Fraud Manager; Veritau*  
[Jonathan.Dodsworth@veritau.co.uk](mailto:Jonathan.Dodsworth@veritau.co.uk)

*Richard Smith; Deputy Head of Internal Audit; Veritau*  
[Richard.Smith@veritau.co.uk](mailto:Richard.Smith@veritau.co.uk)

### Appendices:

- Appendix A: Local Government Counter Fraud and Corruption Strategy
- Appendix B: Fraud Risk Assessment
- Appendix C: CIPFA Fraud and Corruption Tracker 2016



**AGENDA ITEM:  
APPENDIX A**

**Fighting  
Fraud &  
Corruption**

**LOCALLY**

The local government  
counter fraud and  
corruption strategy

2016-2019

Supported by:



**CIPFA COUNTER  
FRAUD CENTRE**

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**Fighting Fraud and Corruption Locally** is a strategy for English local authorities that is the result of collaboration by local authorities and key stakeholders from across the counter fraud landscape. Its production and subsequent implementation is overseen by an independent board, which includes representation from key stakeholders. The board commissioned the drafting and publication of the strategy from the CIPFA Counter Fraud Centre.

This strategy is the result of an intensive period of research, surveys, face-to-face meetings and workshops. Local authorities have spoken openly about risks, barriers and what they feel is required to help them improve and continue the fight against fraud and to tackle corruption locally.



With support from:



# Foreword by Cllr Claire Kober

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Since the last Fighting Fraud Locally Strategy was published in 2011, the landscape has changed considerably for local government. Councils have dealt with unprecedented reductions in funding – up to 40% of central funding over the life of the previous Parliament and further real term reductions announced in the November 2015 Spending Review.

Rather than taking the approach of managing decline, councils have innovated, collaborated and prioritised in order to protect vital services.

Innovation is as important in fighting fraud as any area of council activity to keep ahead of fraudsters and prevent resources being taken away from delivering services to those who need them.

The transfer of welfare benefits fraud investigation staff to the DWP's Single Fraud Investigation Service means that councils need to reconsider how they counter other areas of fraud. The new Fighting Fraud and Corruption Locally Strategy is timely and should be of great help to councils in developing new approaches.

There are many examples of success but it is worth focussing on the Audit Commission's annual report in October 2014 that reported a 400% increase in right-to-buy fraud in London; a fact which we in Haringey anticipated over two years ago when the maximum discount available to purchase a home under the right to buy scheme was increased to £100k.

Our Fraud Team in Haringey has been working pro-actively with services across the council since 2013 to investigate potential Right to Buy fraud. Joining up housing, benefits and fraud teams effectively has meant that we have prevented over 120 cases of right to buy fraud, saving £12m in discounts and retaining the property for use as much needed social housing.

Where we have identified tenancy and benefit fraud alongside the right to buy fraud, we recover the property to help provide homes for those people and families in most need; and we are prosecuting the most serious cases. Secondly, our Benefits Team has been working to make it more difficult for fraud and error to occur in the first place.

Claimants are now asked to periodically resubmit current evidence of their circumstances, especially

their income, and long running claims are now reviewed in depth more often, particularly in high risk areas – those where circumstances might be expected to have changed.

We are also making it easier for claimants to tell us of changes in circumstances and reminding them that they need to tell us, and we are looking at sharing data with other agencies. Every pound siphoned off by a fraudster is a pound that cannot be spent on services where they are needed. Councils need to be vigilant.

Councils do have a good record in countering fraud and the strategy contains numerous case studies and examples of successes. Councils also have an excellent record in collaboration with the LGA's improvement team recording more than 350 successful examples of councils working together to save money and improve services, and collaboration to counter and prevent fraud is a theme running through the strategy.

I am happy to endorse this strategy on behalf of the LGA and welcome it as an opportunity for councils to review and further improve their counter fraud work.



**Claire Kober**  
Chair Resources Portfolio Local Government  
Association and Leader Haringey Borough Council

# Foreword by Marcus Jones MP

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Fraudsters cost the local tax payer many millions of pounds each year. Indeed the estimated loss of £2.1bn quoted in this Strategy is felt to be an underestimate of the total cost to local government.

This is of concern as much to central government as it is to councils. The Strategy rightly places an emphasis on council leaders, chief executives and finance directors to provide the local leadership to take action to protect the public purse.

At a time when every penny should be invested in delivering high quality services to local people, tackling fraud head on should be a priority.

The recent figures from the Office of National Statistics show that an increasing amount of fraud is being reported to the police, Cifas and Financial Fraud Action UK.

The risks are clear, councils must ensure they are active in looking for and identifying fraud and embedding a counter fraud culture at the heart of their organisation.

Currently there is a disparity of effort in tackling this kind of criminal activity across the sector, this is a concern. Some invest in dedicated counter fraud activity and some do not, and the Strategy is right to point out that councils should take an 'invest to save' approach.

I know this is not easy, there have been some successes but more councils need to go further. The Government has helped councils, and last year provided an injection of £16m through the Counter Fraud Fund to support a wide range of council led projects across the country.

The challenge is now for local government to build on this investment, share the learning, and raise the bar. A clear message needs to be sent to fraudsters that councils won't put up with fraud of any sort. As the Strategy says – it is about having robust systems in place to prevent fraud occurring in the first place.

To look in the right areas, by taking a risk based approach to identify fraud, and where fraud is found to publicise it widely and use it as deterrent. And councils will be judged by their residents on their results.

I fully believe the onus lies rightly at the top of the organisation to set the tone and culture that councils are serious and won't tolerate fraud, that all parts of the organisation have a job to build fraud resilience into their systems, to actively look for, and where they find it prosecute fraudsters.

I hope and expect this strategy to be the spring board for councils to go further than before.



**Marcus Jones MP**  
Parliamentary Under Secretary of State  
(Minister for Local Government)

# Executive Summary

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Fighting Fraud and Corruption Locally is the new counter fraud and corruption strategy for local government. It provides a blueprint for a tougher response to fraud and corruption perpetrated against local authorities. By using this strategy local authorities will develop and maintain a culture in which fraud and corruption are understood to be unacceptable, understand their fraud risk and prevent fraud more effectively, use technology to improve their response, share information and resources more effectively to prevent and detect fraud loss, bring fraudsters account more quickly and efficiently, and improve the recovery of losses.

This strategy is aimed at council leaders, chief executives, finance directors, and all those charged with governance in local authorities. It is produced as part of the Fighting Fraud and Corruption Locally initiative, a partnership between local authorities and key stakeholders, and succeeds the previous strategy, written in 2011.

Local authorities face a significant fraud challenge. Fraud costs local authorities an estimated £2.1bn a year. Every £1 that a local authority loses to fraud is £1 that it cannot spend on supporting the community. Fraud and corruption are a drain on local authority resources and can lead to reputational damage.

Fraudsters are constantly revising and sharpening their techniques and local authorities need to do the same. There is a clear need for a tougher stance. This includes tackling cross boundary and organised fraud and corruption attempts, as well as addressing new risks.

In addition to the scale of losses, there are further challenges arising from changes in the wider public sector landscape including budget reductions, service remodelling and integration, and government policy changes. Local authorities will need to work with new agencies in a new national counter fraud landscape.

This will offer opportunities to support the National Crime Agency in the fight against organised crime and work with the CIPFA Counter Fraud Centre, which has agreed to take on the hosting of Fighting Fraud and Corruption Locally, and other leaders in this field. Local authorities reported that they were still encountering barriers to tackling fraud effectively, including incentives, information sharing and powers.

The strategy also addresses the issue of new anti-corruption measures for local authorities and integrates the relevant elements of the government's Anti-Corruption Plan.

In response to these challenges, local authorities will need to continue to follow the principles developed in Fighting Fraud Locally 2011 (FFL):

- **Acknowledge:** acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.
- **Prevent:** preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.
- **Pursue:** punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement response.

Local authorities have achieved success by following this approach; however, they now need to respond to an increased threat.

This strategy sets out ways in which local authorities can further develop and enhance their counter fraud response by ensuring that it is comprehensive and effective and by focusing on the key changes that will make the most difference.

Local authorities can ensure that their counter fraud response is comprehensive and effective by considering their performance against each of the six themes that emerged from the research:

- Culture
- Capability
- Capacity
- Competence
- Communication
- Collaboration

“At a time when resources are becoming ever more scarce, all of us involved in delivering local public services are looking at ways of doing more with less. Acknowledging the risk of fraud and committing resources to tackle it, taking steps to prevent fraud and pursuing offenders must be part of the answer. What we have learnt as a consequence of our continuing work is that success in this field depends not just on what you do but how you do it. Having an embedded anti-fraud approach across an organisation is critical to success and by focusing this strategy on the cross cutting themes of culture, capability, capacity, competence, communication, and collaboration will in my view help ensure that an anti-fraud approach becomes integral to the way we work.

**Charlie Adan**

Chief Executive Babergh and Mid Suffolk



The Companion to this document contains a section on each of these themes, with information on fraud risks, good practice and case studies to assist local authorities in strengthening their response and ensuring that it is fit for purpose.

This strategy also identifies the areas of focus that will make the most difference to local authorities' counter fraud efforts. These are:

- Leadership
- Assessing and understanding the scope of fraud and corruption risks
- Making the business case
- Using resources more effectively
- Collaborating to improve
- Using technology to tackle fraud
- Tackling corruption

Many local authorities have demonstrated that they can tackle fraud innovatively and can collaborate effectively to meet the challenges. Indeed, many have identified that a reduction in fraud can be a source of sizeable savings.

For example:

- Birmingham City Council, working with other agencies, secured a confiscation order against 2 organised fraudsters of £380,000
- The London Borough of Lewisham, working with Lewisham Homes, recouped £74,000 from one internal fraudster
- The Royal Borough of Kensington and Chelsea, by using data matching techniques to prevent fraud, made savings of £376,000 in the first year, and £250,000 for the following two years.

This strategy has been designed for local authorities by local authorities and other stakeholders. It provides a firm and practical basis to help them to take the next steps in the continuing fight against fraud and corruption.

The strategy:

- calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment
- illustrates the financial benefits that can accrue from fighting fraud more effectively
- calls upon central government to promote counter fraud activity in local authorities by ensuring the right further financial incentives are in place and helping them break down barriers to improvement
- updates and builds upon *Fighting Fraud Locally 2011* in the light of developments such as *The Serious and Organised Crime Strategy* and the first *UK Anti-Corruption Plan*
- sets out a new strategic approach that is designed to feed into other areas of counter fraud and corruption work and support and strengthen the ability of the wider public sector to protect itself from the harm that fraud can cause

It is now for elected members, chief executives, finance directors, and all those charged with governance to ensure this strategy is adopted and implemented in their local authorities.

# Introduction

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This strategy document is aimed primarily at elected members, chief executives, finance directors, and those charged with governance in local authorities. A companion document aimed at counter fraud practitioners in local authorities has been produced, which lays out detailed actions for them. The strategy sets out the approach local authorities should take and the main areas of focus over the next three years in order to transform counter fraud and corruption performance, and contains major recommendations for local authorities and other stakeholders.

The strategy is based upon research carried out by the CIPFA Counter Fraud Centre.

## This consisted of:

- Workshops conducted in York, Birmingham and London with over 90 attendees.
- Twelve individual interviews with key stakeholders from the counter fraud landscape including local authority representative groups, the National Anti-Fraud Network, the Home Office and the Audit Commission.
- Specific focussed interviews with subject matter experts.
- Three regional workshops attended by around 70 practitioners focussed on particular fraud types and barriers.
- A workshop focussing on anti-corruption risks.
- A survey placed on the website of the Local Authority Investigators Group on fraud risks and barriers.
- Desktop research of publications and counter fraud literature, including new legislation. These documents are listed in The Companion.

By following this strategy local government will be better able to protect itself from fraud and corruption and will provide a more effective fraud response.



## Our vision is that by 2019:

- there is a culture in which fraud and corruption are unacceptable and everyone plays a part in eradicating them
- by better understanding of risk and using technology local authorities will shut the door to fraudsters who try to access their systems or services
- local authorities will have invested in sustainable systems to tackle fraud and corruption and will see the results of recovery
- local authorities will be sharing information more effectively and by using advanced data technology will prevent and detect losses
- fraudsters will be brought to account quickly and efficiently and losses will be recovered

Since the first local government counter fraud strategy, *Fighting Fraud Locally*, was published in 2011, local authorities have made significant progress in tackling fraud by acknowledging and understanding the risks they face and by collaborating, making more use of technology and information sharing to prevent fraud.

In addition, local authorities have made good use of legislation to recover assets and to take action against fraudsters. There are many examples in this document and the companion that demonstrate the efforts and achievements of local authorities despite reductions in resources and a changing enforcement landscape.

Local authorities should be commended for their part in the fight against fraud and other agencies should learn from their good practice. However, the scale of losses demonstrate that more needs to be done. The landscape continues to change and local authorities will need to respond within the context of budget reductions. There is a need to do more with less.



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## **This document is divided into three sections:**

### **Section 1: The Fraud Challenge**

Sets out the nature and the scale of fraud losses, the changes to the national and public sector fraud landscape that require a response from local authorities, and the key issues raised by stakeholders.

### **Section 2: The Strategic Response**

Describes the response that is required from local authorities to address the challenges it is facing, identifying the activities necessary in order to achieve the strategic vision.

### **Section 3: Delivery Plan**

Sets out the recommendations and the framework for delivery.

### **The Companion**

This additional document is aimed at counter fraud practitioners in local authorities and taken together with this strategy sets out a comprehensive blueprint for counter fraud and corruption activities that will deliver the vision.

It identifies the most pressing and serious fraud risks and sets out ways of tackling them, as well as identifying the key organisations that local authorities should work with and the roles they play.

“

Birmingham City Council has invested in creating an anti-fraud culture for some years and a number of examples of its good practice are contained within this document.

At Birmingham City Council, we are committed to protecting the public funds that we are entrusted with. In these times of austerity, the minimisation of losses to fraud and corruption is even more important in ensuring that resources are used for their intended purpose of providing essential services to the citizens of Birmingham.

Through our values, policies and procedures, the council has sought to develop an anti-fraud culture and maintain high ethical standards in its administration of public funds. Anyone who commits, or attempts to commit, fraudulent or corrupt acts against the council, will be held to account in a decisive manner.

The work of our Counter Fraud Team in identifying fraud is invaluable in ensuring that our scarce resources are protected. The development of a sophisticated data analysis capability enables the team not only to detect fraud, but helps our frontline services to prevent it as well. This helps to make sure that the council's services are provided to only those in genuine need and that our valuable resources are directed to where they are needed most”.

#### **Mark Rogers**

Chief Executive, Birmingham City Council

# Section 1: The Fraud Challenge

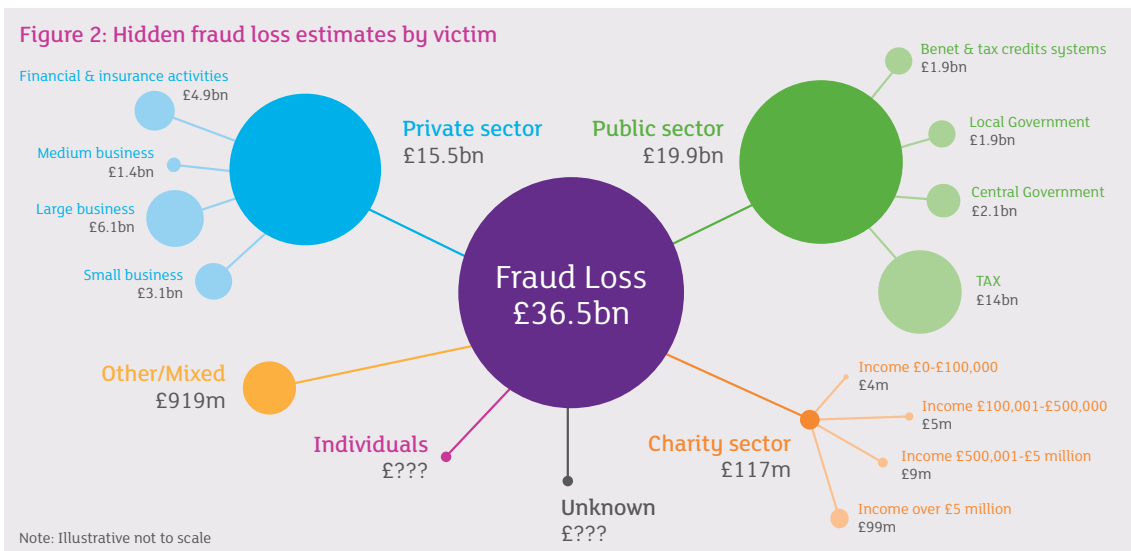
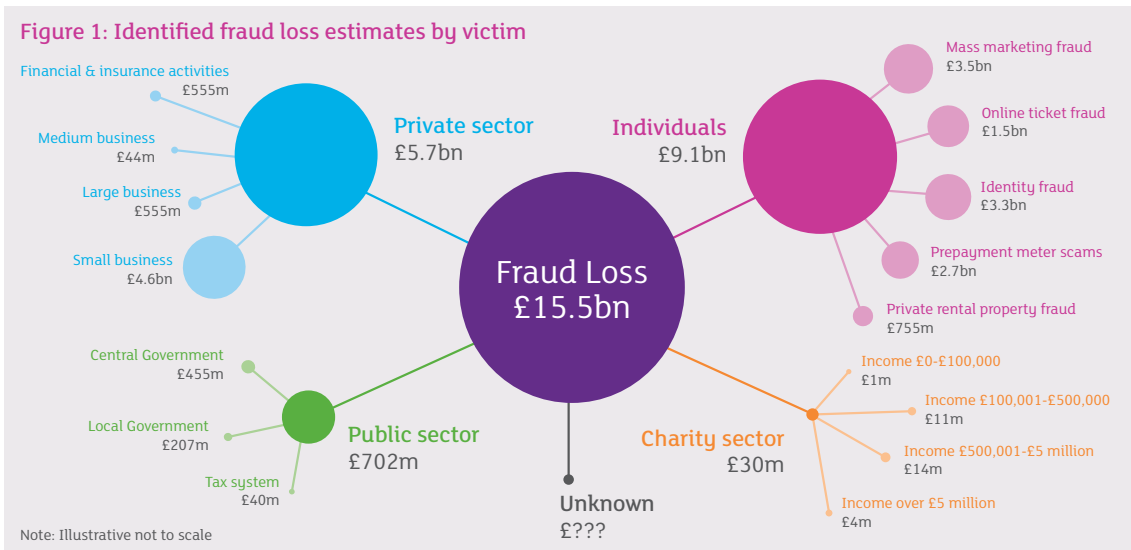
In compiling the evidence that underpins this strategy it became clear that there are three main areas of concern that necessitate a coordinated response from local authorities:

- The scale of fraud losses
- Changes to the national and public sector counter fraud landscape
- Issues raised directly by stakeholders.

## The Scale of Fraud Losses

It is accepted that fraud affects the UK across all sectors and causes significant harm. The last, most reliable and comprehensive set of figures was published by the National Fraud Authority in 2013, and indicates that fraud may be costing the UK £52bn a year.

Within these figures the estimated loss to local authorities totalled £2.1bn. The estimated losses for local authorities in 2013 are broken down in the following by identified fraud losses and hidden fraud losses:



Annual Fraud Indicator 2013

**Estimated Local Government Fraud Loss 2013**

Fraud Type	Estimated Loss	Fraud Type	Estimated Loss
Housing tenancy fraud	£845m	Blue Badge Scheme misuse	£46m
Procurement fraud	£876m	Grant fraud	£35m
Payroll Fraud	£154m	Pension fraud	£7.1m
Council Tax fraud	£133m		

Annual Fraud Indicator 2013

These figures do not take into account the indirect costs of responding to and dealing with fraud and exclude some potentially significant areas of fraud loss.

The Audit Commission's Protecting the Public Purse 2014 identified detected fraud to the value of £188m following a comprehensive survey of local authorities: this was fraud after the event and did not include potential losses.

Local authorities detected 3% fewer cases of fraud than in the previous exercise but the value increased by 6%, which implies larger fraud cases.

It is clear, even allowing for inaccuracies in the measurement of fraud risk and the absence of recent data, that like other sectors of the economy local government is under attack from fraudsters and the scale of losses to local authorities is significant. There are opportunities for local authorities to take action to reduce their losses, and these are discussed in Section 2 of this document.

**Changes to the National and Public Sector Counter Fraud Landscape**

Since Fighting Fraud Locally was published in 2011, there have been significant changes in the landscape nationally, including areas covering organised fraud and anti-corruption.

**The National Response to Serious and Organised Crime**

The National Crime Agency was created in October 2013, and in May 2014 published the National Strategic Assessment of Serious and Organised Crime. Organised crime costs the United Kingdom £24bn each year and includes drug trafficking, human trafficking, organised illegal immigration,

high value crimes, counterfeiting, organised acquisitive crime and cybercrime.

Serious and organised criminals operate across police force boundaries and in complex ways, and the police require sophisticated capabilities to detect and disrupt their activity. The Government invested in the development of the Regional Organised Crime Unit (ROCU) network to ensure that forces have access to the capabilities they need to tackle these threats. Regional Organised Crime Units provide high end specialist capability, including regional fraud teams, to local forces tackling the threat from serious and organised crime in their region.

Action Fraud is the national reporting point for fraud and also cyber crime. As of April 2014, both Action Fraud and the NFIB are run by the City of London Police, which is the UK's lead force for fraud. This change was made by the Government to ensure that one body was responsible for the whole process of recording and analysing reports of all types of fraud.

Organised crime affects local authorities as well as other organisations. The Government launched a new Serious and Organised Crime Strategy in October 2013. Its aim is to substantially reduce the level of serious and organised crime affecting the UK and it's interests. All frauds, including those committed within the context of local government should be reported to Action Fraud, either by calling: **0300 123 2040** or by visiting: [www.actionfraud.police.uk/report\\_fraud](http://www.actionfraud.police.uk/report_fraud).

The National Crime Agency (NCA) leads work against serious and organised crime, coordinating the law enforcement response, ensuring that action against criminals and organised criminal groups is prioritised according to the threat they present.

Police forces will continue to conduct most law enforcement work on serious and organised crime. They should be supported by local organised crime partnerships boards, including local authorities and

agencies to ensure all available information and powers are used against this threat.

Local government is not immune from organised fraud. Recent years have seen a number of fraud cases where perpetrators have been part of a larger criminal network. Organised frauds often cross local authority boundaries and investigations tend to be complex, requiring the deployment of specialist resources, such as computer forensics or surveillance capability. Such resources are expensive and expertise needs to be used constantly to maintain effectiveness.

Although organised crime may not immediately seem to be a direct threat to local authorities, many organisations have already been subjected to fraud, money laundering, identity crime, intellectual property crime and theft of assets. Local authorities may be targeted by organised crime, whether to obtain council resources or to fund other activities. Local authorities need to consider how they can protect their employees, communities, businesses and themselves from the threat of organised crime.

### Anti-Corruption

On 18 December 2014 the Home Office published the first UK Anti-Corruption Plan. The aim of the plan is to bring about a co-ordinated and collaborative approach, setting out clear actions and priorities. The plan covers both UK and international activities, and includes local government.

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Most public officials have probably never been offered a bribe and would feel pretty confident that they could spot the offer. If they don't necessarily think of themselves as totally incorruptible, they often think they can avoid getting entangled in situations where their conduct may be called into question.

However, thinking you don't need help or guidance in knowing what is legal or illegal, or even what is right or wrong, in every circumstance is a risk – a risk that could and should be avoided by getting the most of what help and guidance is available.”

**Prof Alan Doig** – Visiting Professor,  
Centre for Public Services Management,  
Liverpool Business School, Liverpool John Moores University.

The response to corruption follows the UK's four components of the Serious and Organised Crime Strategy:

- **Pursue:** prosecuting and disrupting people engaged in serious and organised criminality
- **Prevent:** preventing people from engaging in serious and organised crime
- **Protect:** increasing protection against serious and organised crime
- **Prepare:** reducing the impact of this criminality where it takes place.

The plan sets out the immediate priorities for the government, which are to build a better picture of the threat from corruption, increase protection and strengthen the law enforcement response.

Local authorities are included in a number of areas within the plan as well as within a specific section. There are areas to which they should pay close attention and ensure that they have suitable arrangements in place and that they are up to date on current arrangements. It will require a change in culture and competence.

**Local government** is targeted by those who wish to corrupt local processes, such as housing or planning, for their own gain; and organised crime groups are known to target local officials to consolidate their status in communities.

UK Anti-Corruption Plan, December 2014

The NCA's Economic Crime Command also has a responsibility in respect of anti-bribery and anti-corruption. It is working with the CIPFA Counter Fraud Centre to raise awareness in this area and recommends a policy of zero tolerance to bribery and corruption, which should be endorsed by the chief executive, sound whistleblowing procedures and awareness training. The NCA also recommends reflecting the commitment in all relevant policies.

### The Public Sector Fraud Response

The Cabinet Office published Tackling Fraud and Error in Government: a Report of the Fraud, Error and Debt Taskforce in 2012. That report set out an ambitious but focused delivery programme that sought to reduce levels of fraud and error across government.

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In his foreword, The Rt. Hon. Francis Maude wrote: “We must continue to work together to support the national fraud strategy Fighting Fraud Together, and demonstrate the significant financial benefits that can be made in reducing the harm of fraud and error in the public sector.”

The Fraud, Error and Debt Taskforce was established under the 2010 to 2015 Conservative and Liberal Democrat coalition government, and was the strategic decision-making body for all fraud and error, debt and grant efficiency initiatives across government.

It met 6 times a year and included ministers, senior officials from relevant government departments, and experts from the private sector and the wider public sector. As a result of its work, this government is putting in place a fraud, error, debt and grants function and is reviewing associated groups.

As a result of the Taskforce’s work, central government is driving ahead with a broad agenda of activity on fraud, error, debt and grants. This includes the roll out of the Debt Market Integrator, a new way of collecting public sector debt and developing capability across central government in countering fraud through the development of government standards for counter fraud work. It also includes projects to enhance the use of data analytics across government and increasing the efficiency and effectiveness of government grant

The National Fraud Initiative (NFI), an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud, is now under the control of the Cabinet Office. The NFI team continues to carry out data matching work with local authorities.

### **Fighting Fraud Locally 2011**

Fighting Fraud Locally, published in 2011, was the first counter fraud strategy for local authorities. It set out the challenges facing local authorities and the response required, noting the good work already carried out and proposing action to overcome the barriers to further progress.

The initiative was supported and hosted by the National Fraud Authority (NFA), which led engagement with local authorities through an independent board on which stakeholders such as the Local Government Association, the Department

for Communities and Local Government, and counter fraud experts working in local authorities were represented.

As a result of Fighting Fraud Locally, local authorities and central government undertook many activities. The DCLG set up working groups to look at the areas raised by local government as barriers. Local authorities took part in around 34 pilots set by the NFA, an annual conference was set up, and an awards regime was established which eventually grew to include the whole public sector.

The NFA undertook an extensive engagement campaign with a national roadshow and events to publicise the work and garner support. It engaged CIPFA to provide a survey on FFL actions which began in 2012, and commissioned free tools and guides under the banner of FFL.

Following the abolition of the NFA in March 2014, most of its work was transferred into the National Crime Agency. Overseeing the delivery of the action plan associated with Fighting Fraud Locally remained the responsibility of the independent board. In October 2014, the Chartered Institute of Public Finance and Accountancy (CIPFA), which was already providing pro bono support by hosting the Fighting Fraud Locally web pages and providing several guides and tools, was asked by the independent board to take over the secretariat and begin research for the next iteration of the strategy.

The CIPFA Counter Fraud Centre now hosts Fighting Fraud and Corruption Locally, manages the secretariat and holds the Fighting Fraud and Corruption Locally Good Practice Bank.

### **Police Resources**

Local authorities collaborate with the Police where appropriate. The law enforcement response to fraud is led by the City of London Police, which is the national lead force for fraud. The City of London Police runs Action Fraud, the national reporting service for fraud and cyber-crime.

It is not only local authorities that are affected by changes in the landscape and a reduction in resources due to the need to curb public expenditure: other enforcement agencies are also facing reductions. It is the view of local authorities that police will have reduced resources to support local authorities on tackling local authority led fraud.

Local authorities will therefore need to consider how they can achieve the results necessary by reconfiguring their approach to enforcement

### Whistle-blowing Arrangements

The best fraud fighters are the staff and clients of local authorities. To ensure that they are supported to do the right thing a comprehensive, management-led, anti-fraud and corruption culture needs to be maintained, including clear whistle-blowing arrangements.

These arrangements should ensure that staff and the public have access to a fraud and corruption whistle-blowing helpline, and should be kept under review.

The terms should conform to the British Standards Institute 2008 Whistle-blowing Arrangements Code of Practice as updated within the Code of Practice published in 2013 by the Whistle-blowing Commission set up by Public Concern at Work.

The Department for Business, Innovation and Skills, also recently published Whistle-blowing Guidance and a Code of Practice (March 2015) this helps employer's understand the law relating to whistle-blowing and provides practical advice for putting in place a robust whistle-blowing policy .

The NAO is available as a prescribed body to take calls from whistle-blowers and the NAO has good practice on its website.

“

Whistleblowing arrangements help to provide employees of public bodies, and users of public services with confidence that wrongdoing or the misuse of public funds can be investigated by an independent and impartial party. This is all the more important where services are subject to considerable change and innovative ways of delivering those services are adopted.

The Head of the National Audit Office is a prescribed person for central government, and from 1 April will also be a prescribed person for local government – we take our responsibilities to provide an impartial and objective service extremely seriously, and draw on the lessons learned from our wider work, to support those who make reports to us.”

#### Sue Higgins

Executive Leader, National Audit Office.

### The Transparency Code

DCLG published The Transparency Code on 31 October 2014. The aim is to strengthen transparency within local government. It also affords the opportunity for residents to see how money is spent. The section in respect of local authorities is also referred to in the UK Anti-Corruption Plan as an aid to making anti-corruption issues more transparent.

The Code sets out requirements for local authorities to report on their counter fraud work:

The Code legally requires local authorities to publish annually details of their counter fraud work, including information about the number of occasions they use powers to obtain information from specified bodies to help investigate cases of fraud, the number of staff investigating fraud cases and the number of fraud cases they have investigated.

Specifically, local authorities must publish the following information about their counter fraud work:

- number of occasions they use powers under The Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers
- total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud
- total number (absolute and full time equivalent) of professionally accredited counter fraud specialists
- total amount spent by the authority on the investigation and prosecution of fraud, and
- total number of fraud cases investigated.

The Code also recommends that local authorities publish details about the number of cases where fraud and irregularity has been identified and the monetary value for both categories that has been detected and recovered.

The above is an extract from the UK Anti Corruption Plan

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## Issues Raised Directly By Stakeholders

In addition to considering relevant policy and academic research, the foundations for this strategy were researched through a series of workshops, surveys, and face to face individual meetings.

There were many instances of good practice, collaborative working and examples of innovative use of data provided by participants.

Local authorities reported issues in the following areas:

### Counter Fraud Capacity

Many local authority practitioners reported that the capacity to tackle fraud and corruption was likely to be reduced, or had already been reduced, as a result of austerity-related local authority funding reductions.

In many cases practitioners also reported that the skilled investigation resource transferred to the Department for Work and Pensions Single Fraud Investigation Service (SFIS) had not been replaced, and some stated that after the SFIS transfer their authority would have no fraud team.

### Skills

Local authorities reported that their staff did not always have the skills or training to tackle fraud and corruption. Some local authorities stated that they would recruit new staff or transfer staff into fraud-related work post SFIS, but raised the concern that they did not have budgets to train their staff to tackle new areas.

### Culture

Some local authority practitioners reported that senior managers were finding it difficult to dedicate sufficient time to demonstrate their support for counter fraud activities due to the focus being on other priorities such as meeting budget savings targets and maintaining key services to residents.

This was considered to have a negative effect upon performance, and was associated with counter fraud work having a low profile and the benefits of counter fraud work not being fully appreciated.

## Collaboration

Local authority practitioners demonstrated an appetite for working more formally across local authority boundaries and with other agencies, departments, and the private sector; but reported a range of difficulties in securing progress.

Some examples of this were: counter fraud work not being consistently prioritised; lack of financial incentives to make the business case; a lack of understanding of data protection rules; and lack of funding.

They also reported an appetite for innovative use of data and wider data sharing, but had encountered barriers to this or made very slow progress.

Local authorities further reported that they found it hard to obtain police involvement in their cases and that they did not receive feedback on cases from crime reporting hotlines.

*“In times of austerity, collaboration is key. It is of increasing importance to consolidate the approach to fighting fraud and corruption across public services to better inform strategies and to gain a more comprehensive picture of the fraud landscape. We have created CIPFA’s Counter Fraud Centre to lead on creating a coordinated approach, as well as offering thought leadership and to fill the gaps led by others.*”

*Fraud is a pointless drain on resources emphasised by the need for local authorities to save every penny, but we are committed to helping authorities work together to tackle fraudulent activity, protecting the public pound.*

**Rob Whiteman**, CEO CIPFA

## Types of Fraud

Local authorities reported a wide range of fraud types. The main areas of fraud that were reported in Fighting Fraud Locally 2011 continue to feature as significant risks. However, there are also new fraud types emerging and some of these are more prevalent in particular parts of the country. It is clear that a one size fits all approach is not appropriate: local authorities will need to tailor their approach to their particular fraud risks.



Known Fraud Risks Remaining Significant	Emerging / Increasing Fraud Risks
<p><b>Tenancy</b> – Fraudulent applications for housing or successions of tenancy, and subletting of the property</p> <p><b>Procurement</b> – Tendering issues, split contracts, double invoicing</p> <p><b>Payroll</b> – False employees, overtime claims, expenses</p> <p><b>Council tax</b> – Discounts and exemptions, council tax support</p> <p><b>Blue Badge</b> – Use of counterfeit/altered badges, use when disabled person is not in the vehicle, use of a deceased person’s Blue Badge, badges issued to institutions being misused by employees.</p> <p><b>Grants</b> – Work not carried out, funds diverted, ineligibility not declared</p> <p><b>Pensions</b> – Deceased pensioner, overpayments, entitlement overstated</p> <p><b>Schools</b> – Procurement fraud, payroll fraud, internal fraud</p> <p><b>Personal budgets</b> – Overstatement of needs through false declaration, multiple claims across authorities, third party abuse, posthumous continuation of claim</p> <p><b>Internal fraud</b> – Diverting council monies to a personal account; accepting bribes; stealing cash; misallocating social housing for personal gain; working elsewhere while claiming to be off sick; false overtime claims; selling council property for personal gain; wrongfully claiming benefit while working</p> <p><b>Identity fraud</b> – False identity / fictitious persons applying for services / payments</p>	<p><b>Business rates</b> – Fraudulent applications for exemptions and reliefs, unlisted properties</p> <p><b>Right to buy</b> – Fraudulent applications under the right to buy/acquire</p> <p><b>Money laundering</b> – Exposure to suspect transactions</p> <p><b>Insurance Fraud</b> – False claims including slips and trips</p> <p><b>Disabled Facility Grants</b> – Fraudulent applications for adaptations to homes aimed at the disabled</p> <p><b>Concessionary travel schemes</b> – Use of concession by ineligible person, including Freedom Passes</p> <p><b>No recourse to public funds</b> – Fraudulent claim of eligibility</p> <p><b>New Responsibilities</b> – Areas that have transferred to local authority responsibility e.g. Public Health grants, contracts.</p> <p><b>Commissioning of services</b> – Including joint commissioning, third sector partnerships – conflicts of interest, collusion</p> <p><b>Local Enterprise Partnerships</b> – Voluntary partnerships between local authorities and businesses. Procurement fraud, grant fraud.</p> <p><b>Immigration</b> – Including sham marriages. False entitlement to services and payments.</p> <p><b>Cyber dependent crime and cyber enabled fraud</b> – Enables a range of fraud types resulting in diversion of funds, creation of false applications for services and payments.</p>

Though uncommon, incidents of electoral fraud in the UK undermine wider public confidence in the electoral process and trust in the outcome of elections. Fraudulent electoral registration may also be linked to other types of financial or benefit fraud.

Electoral Registration Officers (EROs) and Returning Officers (ROs) are uniquely placed to identify incidents and patterns of activity that might indicate electoral fraud. In line with Electoral Commission guidance they should ensure mechanisms are in place to assess the risks and monitor indicators of possible electoral fraud.

It is essential that local authorities work in partnership with the police on any issues around registration and the planning for elections and share information relevant to identifying and preventing electoral fraud.

The ERO/RO should be in touch with the relevant police force’s Single Point of Contact (SPOC) for electoral matters and agree the division of responsibilities and the approach for the ERO/RO to refer allegations of electoral fraud to the police where appropriate.



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The police are responsible for investigating allegations of electoral fraud and should keep the ERO/RO informed of the progress of cases.

The Electoral Commission has identified 17 local authority areas in the UK which have a higher risk of allegations of electoral fraud, where it recommended a sustained approach to tackle the risks. It is essential that the EROs and ROs for those areas maintain their focus on electoral fraud prevention.

The Government is completing the roll-out of individual electoral registration across Great Britain, which will help reduce the scope for fraud.

The individual nature of the new registration system, in combination with increased assurance of the identity of applicants, means that the register now has greater value as a tool for local authorities and the police to aid in the prevention and detection of crime, including other forms of fraud.

### Powers

In *Fighting Fraud Locally 2011*, local authorities reported that they did not have sufficient powers to tackle non benefit fraud and cited examples of this across their counter fraud activities. In the area of social housing fraud, the Department for Communities and Local Government dedicated resource to improving this situation and, in October 2013, The Prevention of Social Housing Fraud Act was introduced which enabled local authorities to acquire information by using new powers.

However, local authorities are still reporting that they do not have sufficient powers to tackle non benefit fraud. For example, local authorities reported having difficulty obtaining evidence from suppliers in procurement fraud investigations.

Further action is required to ensure that local authorities are able to deal with fraud effectively in all areas of their business.

### Good Practice Case study – Manchester City Council

Manchester was awarded DCLG tenancy fraud funding to work in partnership with Registered Social Landlords in the area including:

- Review their tenancy fraud processes and procedures
- Produce a tenancy fraud publicity toolkit containing template leaflets and posters
- Develop capacity through delivery of training packages to enable partners to: identify tenancy fraud; gather evidence in compliance with CPIA 1996;
- Provide PACE awareness training enabling social housing staff to work alongside the council counter fraud specialists.

Kate Sullivan, Tenancy Enforcement and Support Manager at Adactus Housing said:

“The Fraud Investigations team has assisted Adactus with complex investigations and has worked with us to create the environment of a true partnership. The investigations they have carried out have been in cases where, prior to the project, we had drawn a blank and had been unable to gather meaningful evidence to proceed with a case.

The team has welcomed an Adactus member of staff to shadow its officers, which has been a valuable learning opportunity for my team member and given an understanding on both sides of the constraints both teams face.”

### Barriers to Information Sharing

In *Fighting Fraud Locally 2011*, local authorities expressed frustration that they had difficulty obtaining information from government agencies and departments as well as from internal colleagues. They also provided examples of instances where they were not permitted to share data, even to tackle fraud.

A number of local authorities that subsequently set up hubs to collaborate and share information in line with recommendations in *Fighting Fraud Locally 2011* experienced difficulties over exchanging data and, even where they did not have difficulty,

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processes were lengthy. Without exception, at every workshop during research, this issue was raised; across different types of fraud and across different agencies.

### Incentives

During the development of Fighting Fraud Locally 2011, DCLG took on board issues raised about housing tenancy fraud and an incentive fund was created. Two tranches of funding were made available in 2009 and 2011 and the last tranche in 2015. This funding has enabled local authorities to set up bespoke counter fraud teams and to undertake data matching and other innovative measures.

Local authorities report that once this stream of funding expires, however, they will not be able to sustain activity in this area. The reason for this is that stopping a housing tenancy fraud rarely provides a cashable saving (tenants sub-letting their property are almost always very good rent payers) and it is difficult to identify sufficient financial benefit to support the business case to undertake counter fraud activity.

In December 2014, DCLG made available a one-off Counter Fraud Fund of £16m to support local authorities in tackling fraud in the period during which the SFIS is due to be implemented.

This fund received bids totalling around £36m, which included innovative ideas and proposed joint working across local authorities, central government and with private sector providers.

Many of the outcomes of this work will be seen during the period of this strategy. The interest and appetite for this initiative on the part of local authorities has not only resulted in many good proposals and mechanisms being put forward, but signals their strong commitment and goodwill to continue to tackle fraud.

Local authorities are still reporting that, apart from these one-off funds, it remains difficult to access funding to tackle fraud. The business case is often not clear cut, which makes it difficult for local authorities to fund initiatives on an invest-to-save basis, and in some instances the business case is frustrated by existing local government funding mechanisms.

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Councils need central government to set in place the right legal and financial frameworks so that they can tackle fraud and corruption effectively. This strategy offers the opportunity for central government to work with councils in protecting the public purse by providing appropriate powers, removing barriers to information sharing across government, and by providing the right financial incentives for councils to tackle fraud and removing disincentives. Councils should not be expected to fight fraud with one hand tied behind their back.”

#### Ian O'Donnell

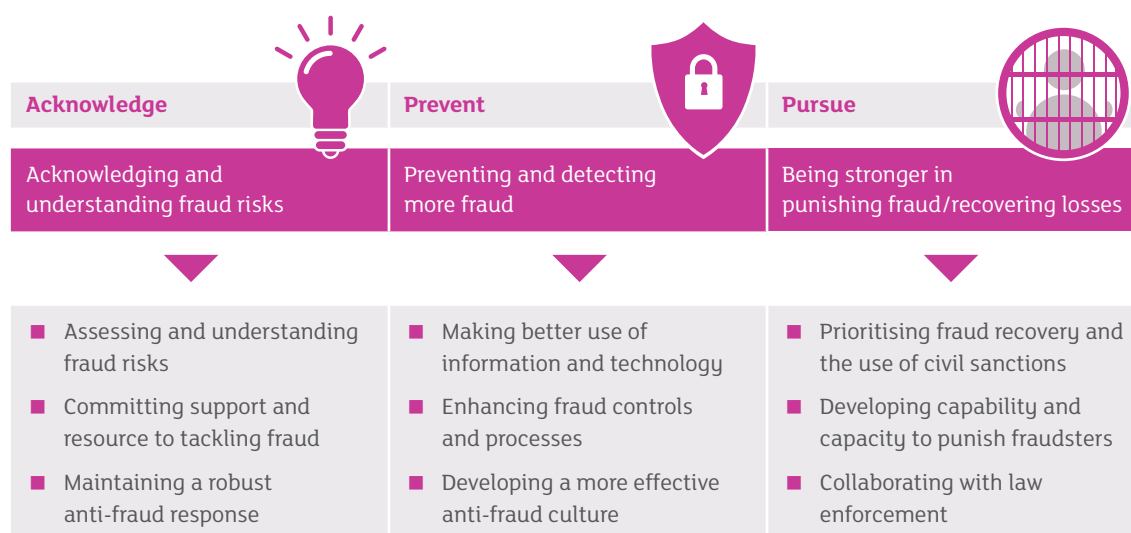
Executive Director of Corporate Resources,  
London Borough of Ealing



# Section 2: The Strategic Response

The principles of the strategic response to fighting fraud in local authorities remain unchanged from Fighting Fraud Locally 2011. These are set out in the first section below.

## The Principles - Acknowledge, Prevent and Pursue



Fighting Fraud Locally official NFA Board Slides

The changing context in which local government services are delivered, the increasing risk of fraud by motivated offenders, reduced local authority resources and associated changes to existing local control frameworks together create a pressing need for a new approach to tackling fraud perpetrated against local government.

Fighting Fraud and Corruption Locally recognises these challenges and the need for a cost effective way to reduce fraud. This strategy calls for a greater emphasis on prevention and the recovery of stolen money and highlights the need to create new arrangements to ensure that local authorities retain a resilient response to fraud based on the sharing of services and specialist resources.

Strong leadership will be required in order to achieve this, with greater use of technology and a stronger emphasis on collaboration. The starting point of the strategic response is to acknowledge the threat of fraud and the opportunities for protecting the public purse that exist. This acknowledgement must start at the top and lead to action.

While this document outlines the main areas of fraud risk across local government, each authority's risk profile will be different.

This strategy recommends that the starting point for each local authority is to perform its own risk assessment and fraud resilience check.

The second element of the strategy focuses on prevention. With investigative and police resources facing budget pressures, a counter fraud and anti-corruption strategy can no longer depend on enforcement activity.

Prevention is often the most efficient way to make savings and so what is called for is a radical realignment of counter fraud resources with greater investment in techniques, technology and approaches that will prevent fraud and corruption.

Stopping fraud and corruption from happening in the first place must be our aim. However, those who keep on trying may still succeed. A robust enforcement response is therefore needed to pursue fraudsters and deter others.

Fraud is an acquisitive crime and the best way to deter offenders is to ensure that they are caught and do not profit from their illegal acts.

This strategy argues for a fundamental shift in culture to emphasise civil recovery and the more rigorous pursuit of losses.

## Turning Strategy into Action

### The Themes – Six C's

The Companion to this strategy document sets out more information on how local authorities can ensure that their counter fraud response is comprehensive and effective.

Local authorities should consider their performance against each of the six themes that emerged from the research conducted.

These are:

- **Culture** – creating a culture in which beating fraud and corruption is part of daily business
- **Capability** – ensuring that the range of counter fraud measures deployed is appropriate to the range of fraud risks
- **Capacity** – deploying the right level of resources to deal with the level of fraud risk
- **Competence** – having the right skills and standards
- **Communication** – raising awareness, deterring fraudsters, sharing information, celebrating successes
- **Collaboration** – working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information.

The Companion contains a section on each of these, with information on good practice and case studies to assist local authorities in strengthening their response and ensuring that it is fit for purpose.

### Fraud knows no boundaries – London Borough of Lewisham

A former housing officer who fraudulently hijacked the tenancy of a dead Lewisham tenant was ordered by the court to pay £74,000 after Lewisham Council was granted a compensation order. At an earlier court hearing, the housing officer had received a 21-month prison sentence while her husband had received a 12-month suspended prison sentence and was ordered to conduct 100 hours of unpaid community work.

Following the death of the original tenant in 2005, the tenancy officer had manipulated the council's records to take control of the property in Catford which she then sublet at a profit. The fraud was uncovered in 2009 after Lewisham Homes, the council's arm's length management organisation (ALMO) conducted a visit to the property as part of a tenancy-checking verification program and found that the original tenant was no longer resident.

Further checks by the council's fraud team revealed that a different person from the tenant was listed as liable for Council Tax at the property.

The housing officer and her husband had also provided false information to secure a tenancy in another borough fraudulently, which they also sublet to another tenant for a higher rent

It is estimated that the actions of the rogue housing officer resulted in a combined loss of approximately £150,000 to the public purse.

## Areas of Focus

There are seven areas where a shift in activity will result in long term, sustainable improvement:

### 1. Leadership

**Showing leadership:** elected members, chief executives, finance directors and all those charged with governance should demonstrate explicit commitment to fighting fraud and corruption, and provide the necessary leadership.

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Counter fraud practitioners cannot operate effectively unless those at the top in local authorities champion counter fraud and corruption work and visibly promote the message that fraud and corruption will not be tolerated.

**Culture:** those at the top in local authorities should maintain a robust counter fraud and corruption culture with clear values and standards. Culture fundamentally affects all elements of counter fraud and corruption activity: prevention, detection, deterrence, investigation, sanctions and redress.

A key element is having sound whistle-blowing arrangements; communicating how to report fraud and corruption and creating an environment in which reports can be made without the fear of recrimination.

**Collaboration and co-ordination:** those at the top in local authorities should actively seek to co-ordinate their efforts in the fight against fraud and corruption. Local authorities should seek to break down barriers to collaboration and sharing with other local authorities, central government and other organisations.

**Communication:** having a robust communication policy, actively publicising initiatives and celebrating successes is integral to having an effective counter fraud culture as a visible demonstration of commitment and values.

## 2. Assessing and understanding the scope of fraud and corruption risks

**Assessing risks:** In order to continue to function effectively in a changing landscape post SFIS implementation, and to take account of the recommendations in the UK Anti-Corruption Plan, local authorities will need to make an assessment of their risks.

This will require an honest appraisal of risks and the resources required to tackle them and whether that can be done locally, with the support of the national agencies, or with neighbouring authorities.

**Measuring potential and actual losses:** local authorities should measure potential and actual losses on a regular basis in order to understand the scope of the challenge, assess the response required, and measure performance.

The impact of crime is not only financial: losses suffered from fraud can have a direct, adverse impact on those people who are in most need of support, and in some cases the reputational damage caused to a local authority can be serious and lasting.

**Horizon scanning:** in the fast-changing local authority landscape, local authorities should scan the horizon constantly for emerging risks. The Companion to this document details new and changing fraud areas that local authorities reported in the research for this strategy.

However, it is important that local authorities approach this task individually, as some risks are particular to individual local authorities (e.g. districts and counties face different risks), and some fraud risks differ geographically.

## 3. Making the business case

**Investing in counter fraud activity:** local authorities should pursue opportunities to invest in counter fraud and corruption activity in order to generate savings by preventing and recovering losses. Local authorities do not, as a rule explicitly budget for fraud losses (the exception to this is housing benefit, where subsidy losses are budgeted for). However, estimates of local authority losses demonstrate that there is a significant problem, and therefore a significant opportunity for local authorities.

Local authorities should seek to assess their potential losses and measure actual losses in order to make the business case for investing in prevention and detection. In many cases there is an existing business case based upon the experience of other local authorities. For example, the prevention and detection of fraud perpetrated in income areas such as council tax is now widespread and offers higher tax revenue which can be recovered through existing, efficient collection systems.

However, each local authority will need to make its own case as fraud risks will vary significantly depending on location, scope, and scale of activities.

**Fighting fraud and corruption is not only a financial issue:** fraud and corruption in local authorities are unacceptable crimes that attack funds meant for public services or public assets.

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The result is that those in genuine need are deprived of vital services. Fraud and corruption are often linked with other criminal offences such as money laundering and drug dealing. Local authorities have a duty to protect the public purse and ensure that every penny of their funding is spent on providing local services. More often than not, in doing so they are achieving wider benefits for the community.

**Preventing losses:** local authorities should set in place controls that will prevent fraudsters from accessing services and employment. It is nearly always more cost-effective to prevent fraud than to suffer the losses or investigate after the event.

The technology to establish identity, check documents, and cross-check records is becoming cheaper and more widely used. Controls should apply to potential employees as well as service users – e.g. if someone lies about their employment history to obtain a job they are dishonest and it may not be appropriate to entrust them with public funds, and in any case they may not have the training or qualifications to perform the job to the required standard.

**Recovering financial losses:** prompt and efficient recovery of losses is an essential component in the fight against fraud and corruption. In some cases local authorities can make use of their own income collection systems to recover losses – e.g. council tax, business rates, and housing benefits. In others, local authorities will need to make use of civil and criminal courts.

The Proceeds of Crime Act 2002 remains a powerful tool for local authorities; however, local authorities should strike the right balance, making the business case for prosecutions but not setting unachievable financial targets. Local authorities should continue to work with the courts to improve the speed of processing and develop case law supporting the successful application of recovery powers.

#### 4. Using resources more effectively

**Using the right resources:** local authorities should make use of the right number of properly skilled counter fraud and corruption staff, adopt best practice standards, make use of tools and technology, and generate economies of scale through collaboration.

In a changing environment where resources are

limited, where fraud types are constantly changing and where staff may be moving roles, it will be vital to ensure that these resources are kept up to date and that the response remains proportional to the threat.

**Professional competence:** post SFIS, it will be ever more important to have a common set of standards for those working in counter fraud and for them to have proper training and an understanding of the whole picture within counter fraud.

*FFL 2011* recommended professionally accredited training. A vital element of any effective counter fraud strategy is the ability of the organisation to call upon competent, professionally accredited counter fraud specialists trained to the highest possible professional standards to investigate suspected fraud.

Local authorities need to be confident that evidence has been lawfully obtained and professionally presented, regardless of whether the anticipated outcome of an investigation is a disciplinary hearing, civil action or criminal proceedings.

#### 5. Collaborating to improve

**Sharing resources:** in the context of budget reductions and post SFIS many local authorities are faced with reduced counter fraud and corruption resources. Sharing resources and information can help mitigate the risks by ensuring that the response remains proportional and is properly skilled and equipped.

**Working together:** fraudsters do not respect boundaries of any type – they attack neighbouring local authorities, other agencies and commit other frauds. By working across boundaries local authorities will be better placed to detect the range of fraudulent activity carried out by individuals and gangs.

Local authorities already work with other agencies; the creation of multiple intelligence, data and investigative hubs opens up further opportunities to link up with other local counter fraud agencies – e.g. NHS Local Counter Fraud Specialists.

There are often links between frauds against local authorities and benefit frauds, immigration offences and shadow economy tax evasion, and there are already many examples of good practice and joint working where local authorities work in collaboration



with local police, HMRC, DWP or other agencies. Some local authorities even have police officers seconded and physically located in the authority, while others have access to officers from other enforcement agencies, for example UK Visas and Immigration or Immigration Enforcement and as a result, are more able to detect and investigate fraud.

Local authorities should collaborate with law enforcement partners to understand and mitigate the risks of organised and serious frauds, raise awareness of the tactics used by organised criminals and where possible share fraud data to help prevent future frauds. And where possible share fraud data to help prevent future frauds. Where police investigative support into fraud is required, the fraud must be recorded with Action Fraud.

## 6. Using technology to tackle fraud

### Birmingham City Council Case Study – The value of data

Birmingham City Council makes extensive use of its data warehouse to identify fraud through data matching and data mining. By expanding the data warehouse to hold not only the Council's data, but that of neighbouring authorities and partner organisations, the Council has greatly enhanced its data analysis capability. The facility has now been embedded into frontline housing services to enable users to validate information provided on application forms at the point of receipt.

This provides greater assurance that housing tenancies are being awarded only to those in genuine need and that homes are only sold to those who are genuinely entitled to buy them. Furthermore, it has helped to identify former tenancy arrears of tenants who have been re-housed elsewhere, thereby helping in the collection of those debts.

**Data sharing:** for many years local authorities have funded and participated in the National Fraud Initiative (NFI); a periodic data matching exercise that identifies potential fraud cases for local authorities to investigate. Local authorities are now pursuing further opportunities to use their data to prevent and detect fraud, taking advantage of

changes in technology and in the appetite of other organisations to collaborate.

These include advanced data analytics, the availability of third party data, and channel shift within local authorities towards online customer contact. Data hubs offer a huge opportunity to work with and inform the wider counter fraud landscape, feeding into the work of the NCA and the Home Office and connecting into the wider architecture of other hubs.

**Prevention:** local authorities are using new technology to prevent fraud. The availability of relevant data when an application is made for local authority services can prevent fraudsters from obtaining access. Identity can be verified quickly and efficiently.

Technology is being used to check the validity of official documents, such as passports, with the originating government department, and is also being used to generate intelligence alerts, warning local authorities of fraud risks so that a proportional response can be set in place. Local authorities should continue to invest in technology that assists in preventing fraud and corruption.

**Sharing good practice:** local authorities should make use of good practice to achieve the best results. Within this strategy are examples of a number of local authorities that have begun to do this. The Companion to this strategy contains a checklist for local authorities, a detailed description of fraud types, and examples of good practice with information on where to find more.

As part of Fighting Fraud Locally 2011, the National Fraud Authority undertook research on good practice, legislation and procedure and produced a number of guides. The original research showed the need for a one stop shop for local authorities for good practice, and the guides, which cover recovery, case building and risks, were placed in the CIPFA Good Practice Bank. A number of local authorities have used these documents and they should now be updated where necessary and publicised anew.

The evidence collected for this new strategy shows that the one stop approach has worked and should be continued. A one stop shop for the whole of the public sector is now provided through the CIPFA Counter Fraud Centre website, where the Fighting Fraud and Corruption Locally page can

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be accessed free of charge. The London Counter Fraud Partnership has existed since 1998. It is a partnership of all the enforcement agencies involved in tackling fraud in London including local authorities, NHS, Housing Associations and the Metropolitan Police.

This partnership has produced numerous pieces of good practice and fraud prevention documents which are available free within the CIPFA Counter Fraud Centre website. The Metropolitan Police runs a webpage that covers trends in fraud including mandate and vishing/phishing scams and measures to prevent fraud including advice and where to get support. A number of other organisations also offer good practice information which can be accessed by local authorities.

### Case Study – Dudley Metropolitan Borough Council Code of Practice

Dudley MBC has Codes of Conduct for employees and members which set out the high standards expected of them. These are also intended to relay certain messages to all suppliers as there is a growing expectation that all service providers in local government should adhere to the same principles of being open and transparent when dealing with colleagues, residents and partners.

In developing their Suppliers' Code of Practice they aimed to reinforce good working practices and to stamp out fraud, bribery, corruption and unacceptable business practices. Staff who buy in goods and services on behalf of the authority and all suppliers are required to work to the guidelines in the Code of Practice. All active suppliers have received an email announcing the launch of the Code and showing where the Code is available on the council website. The Code includes useful contacts if people want to report problems to the council and reinforces the availability of a Fraud Hotline operated by Audit Services. Audit Services also intends to approach key suppliers to obtain feedback and ask for written assurance that they comply with the Code.

Dudley MBC's leaflet Beating Fraud is Everyone's Business, which sets out guidelines for employees, managers and members, is available on the CIPFA website

## 7. Tackling Corruption

The UK Anti-Corruption Plan requires a response from local authorities. Areas in the plan that local authorities should pay attention to are:

- working more closely with the NCA and other law enforcement agencies
- instituting a public awareness campaign
- putting in place confidential reporting arrangements for whistleblowers and responding effectively to reports of corruption
- preparing corruption risk assessments across all areas of business
- procurement and the European Public Procurement Directives in respect of the exclusion of suppliers.

Areas in the plan that are specific to local authorities are:

- the CIPFA Counter Fraud Centre, which will promote measures and provide tools and services to the public sector in this area. The CIPFA CFC is offering e-learning on anti-corruption and whistle-blowing and health checks on anti-corruption measures
- funding which has been made available by DCLG to support local authorities' efforts to tackle fraud
- the Transparency Code
- working more closely with the Home Office in respect of local partnerships and the way in which these interact
- the research, development and publication of Fighting Fraud and Corruption Locally.



# Section 3: Delivery Plan

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## Recommendations

### General recommendations

**1.** A working group from local authorities should examine and devise a standard and common methodology for measuring fraud and corruption within local authorities. Once it has been agreed, local authorities should use the standard and common measure of estimated levels of fraud and corruption.

**2.** A working group from local authorities should be established to look at the area of powers, incentives and information barriers to:

- examine areas where barriers exist
- gather evidence
- look at achieving quick wins
- place examples of good practice in the Fighting Fraud and Corruption Locally Good Practice Bank.

**3.** A working group from local authorities should be established to look at the area of fraud and corruption enablers with a view to preventing more fraud and corruption.

**4.** There should be an annual report for Fighting Fraud and Corruption Locally which will provide more detail of progress and developments in areas like procurement.

**5.** DCLG should work with local authorities and the CIPFA Counter Fraud Centre (which host Fighting Fraud and Corruption Locally) to acknowledge good practice and should share useful case studies to ensure that there is an appreciation by central government of achievements at local level.

**6.** DCLG should give consideration to the provision of future incentives to help local authorities to tackle housing fraud.

**7.** In relation to procurement fraud, a working group should be established, including subject matter experts and relevant interested parties as well as local authority counter fraud staff, to:

- Investigate and collate good practice in this area and place this in the Fighting Fraud and Corruption Locally Good Practice Bank

- Create a procurement fraud map and define the stages at which procurement fraud can happen in a local authority: highlighting low, medium and high potential risks, to inform risk awareness training for the future. This should include grant fraud where it crosses over.

- Support the implementation of the UK Anti-Corruption Plan by including corruption in procurement in the procurement fraud map

- Work with the London Counter Fraud Partnership to tailor the guidance they have created to the specific needs of local authorities

- Include in the Powers and Penalties Guide a list of powers and potential sanctions relevant to procurement fraud

- Work with the local authorities that are running pilots in order to learn lessons and communicate them to others

- Explore the possibility of cartels and mechanisms to detect them.

### Recommendations for local authorities

**8.** There should be a structured programme on fraud and corruption awareness for elected members and senior managers.

**9.** Local authorities should undertake up-to-date fraud and corruption awareness programmes and use the free resources developed by local authorities that are available in the Fighting Fraud and Corruption Locally good practice bank.

**10.** Local authorities should collaborate where it is appropriate to do so and should place examples of useful outcomes in the Fighting Fraud and Corruption Locally Good Practice Bank and use this as a conduit to exchange information with each other.

**11.** Local authorities should profile their fraud and corruption risks using the section on risks from the Fighting Fraud and Corruption Locally Companion document as a starting point.

**12.** Local authorities should ensure that they have the right resources in place by having made an assessment of the risks on fraud and corruption which should be reported to the Audit Committee or similar.

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- 13.** Senior officers within local authorities should ensure that officers working in the counter fraud team should be provided with appropriate accredited training.
  - 14.** Senior officers within local authorities should ensure that officers who work in areas where they might encounter fraud and corruption have appropriate training.
  - 15.** Local authorities should continue to work together on counter fraud hubs or, should investigate the benefits of joining hubs, and should share information where possible to help each other increase resilience to fraud and corruption and establish best practice.
  - 16.** Local authorities should participate in data technology pilots to improve their efforts to detect and prevent fraud and corruption.
  - 17.** Local authorities should publicise and celebrate successes. Press stories should be collated on the Fighting Fraud and Corruption Locally Good Practice Bank and, where possible, publicity should be endorsed and promoted by DCLG.
  - 18.** Local authorities should make an assessment using the Fighting Fraud and Corruption Locally Companion Checklist, increasing awareness of the UK's Anti-Corruption Plan, make themselves aware of NCA advice, ensure that staff are trained on anti-bribery and corruption, and report this to their Audit Committee together with actions to meet the criteria set out in the Plan.
  - 19.** Local authorities should use the free CIPFA Code of Practice on Managing the Risk of Fraud and Corruption to ensure a common standard.
  - 20.** Local authorities should make sure that they have in place robust reporting procedures including whistle-blowing and that these include assessment through the BSI or Public Concern at Work and that staff are trained in this area.
  - 21.** Local authorities that do not have their own housing stock should consider working with their housing partners, in return for nomination rights, to prevent and detect social housing fraud.
  - 22.** Where appropriate local authorities should consider participating in the Tenancy Fraud Forum.

- 23.** Local authorities should work with partners on relevant procurement projects and pilots and disseminate information as appropriate.
- 24.** Local authorities should look at insider fraud and consider using the Internal Fraud Database at CIFAS following the London Borough of Ealing pilot.
- 25.** Local authorities should horizon scan and explore new areas, e.g. cyber and identity issues and explore new methods to detect fraud, e.g. behavioural insights.
- 26.** Local authorities should use the FFCL Companion Checklist to ensure that they have the right counter fraud and anti-corruption measures in place and should report the results of this to their Audit Committee and the External Auditor.

## Framework for Delivery

To support the delivery of this strategy appropriate governance arrangements should be set in place to oversee the implementation of recommendations and the maintenance of the Fighting Fraud and Corruption Locally resources for local authorities.

A board will be established to ensure activity takes place and to provide senior stakeholder support.

The day to day management and hosting of the Fighting Fraud and Corruption Locally web page, survey, and secretariat sits with the CIPFA Counter Fraud Centre and is provided on a pro bono basis. This arrangement is working effectively.

## Deliverables

The FFCL Board will need to ensure that progress in implementing the recommendations in this strategy is monitored and that an annual report is provided and published setting out what has been achieved and what remains to be done, so that local authorities and other stakeholders have clear visibility of how the strategy has improved outcomes.

# Thank you

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## The Fighting Fraud and Corruption Locally Board is:

- Ian O'Donnell (Chair) – London Borough of Ealing
- Bevis Ingram – LGA
- Andrew Hyatt – Royal Borough of Kensington and Chelsea
- Simon Lane – Former London Borough of Brent
- Mike Clarkson – Mazars
- John Baker – Moore Stephens
- Rachael Tiffen – CIPFA Counter Fraud Centre
- Ben Stoneman – DCLG
- Nick Pellegrini – DCLG

The development of this strategy was overseen by a task and finish group commissioned by the board, whose members were:

- Charlie Adan – Chief Executive, Barbergh and Mid Suffolk District Council
- Ian O'Donnell (Chair) – Executive Director of Corporate Resources, London Borough of Ealing
- Bevis Ingram – Senior Adviser, Finance, LGA
- Ben Stoneman – DCLG
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Public Finance & Accountancy

# fraud and corruption tracker

Summary Report 2016



**CIPFA COUNTER  
FRAUD CENTRE**

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## Foreword

Numerous reports and publications have been written to help organisations fight fraud. The reports raised awareness of fraud prevention, detection and deterrence activity across the sector and enabled local authorities to benchmark their responsiveness against other organisations facing similar risks and set best practice.

This report gives a national picture of fraud, bribery and corruption in the UK's public sector and the actions being taken to prevent it. It summarises the results of a survey carried out among authorities in England, Scotland, Wales and Northern Ireland by the CIPFA Counter Fraud Centre. The survey is supported by the National Audit Office (NAO), National Crime Agency (NCA) and Local Government Association (LGA). This is the second survey of this type conducted by the CIPFA Counter Fraud Centre and has given us the opportunity to look for achievements, trends and emerging threats in the sector.

This report will appeal to all areas of the public sector, including local authorities, health and the emergency services and will:

- help organisations understand where fraud losses could be occurring
- provide a guide to the value of detected and prevented fraud loss
- help senior leaders understand the value of anti-fraud activity
- assist operational staff to develop pro-active anti-fraud plans.

The survey was supported by:



## The CIPFA Counter Fraud Centre

The CIPFA Counter Fraud Centre, launched in July 2014, was created to fill the gap in the UK counter fraud arena following the closure of the National Fraud Authority (NFA) and the Audit Commission, and the subsequent transfer of benefit investigations to the Single Fraud Investigation Service (SFIS), run by the Department for Work and Pensions (DWP). The CIPFA Counter Fraud Centre leads and co-ordinates the fight against fraud and corruption across public services in providing a one-stop-shop for thought leadership, counter fraud tools, resources and training.

Fraud often knows no limit or boundary and thus it is CIPFA's intention to better equip public sector organisations in the future, through widening the scope of the survey to assist agencies locally and inform the national picture.



## Summary

Since the closure of the Audit Commission there has been no requirement for local authorities to report fraud committed against them. CIPFA recognises that each pound lost to fraud represents a loss to the public purse and reduces the ability of local government bodies to provide services to people who need them. CIPFA's Counter Fraud Centre was set up to help the public sector develop cost-effective counter fraud arrangements and runs an annual survey to create a national picture of the amount, and types, of fraud carried out against public sector organisations.

This is the second CIPFA Counter Fraud and Corruption Tracker (CFaCT) report. The survey gathered data from across the UK and included:

- local authorities
- police and crime commissioners
- transport authorities
- fire and rescue authorities
- waste authorities
- public agencies.

### Results from the 2016 survey:

- The largest area of growth in fraud investigation is in procurement. Investigations in this area went up by five times in the year.
- Business rates continue to be an area of concern with right to buy becoming an emerging risk, particularly in London.
- Respondents reported the number of non-benefit investigators has increased by nearly 50% since the 2014/15 report. Organisations with a limited counter fraud capability may not have completed the survey.
- 10% of organisations who responded have no dedicated counter fraud service.
- What is perceived as a high risk area for fraud varies across the country and by organisation.
  - Non-local authority respondents (eg police, fire and rescue services, and passenger executives) reported that their top three areas of fraud risk were:
    - procurement
    - expenses
    - manipulation of data.
  - Local authority respondents noted their largest fraud risk areas as:
    - council tax
    - housing procurement.
- CIPFA estimates that over £271m worth of fraud has been detected or prevented within the public sector in 2015/16.
- CIPFA estimates a total of 77,000 cases were investigated in 2015/16 across the UK, representing an average value of £3,500 per case.
- 56% of respondents had access to a financial investigation resource which allowed them to recover money from convicted fraudsters. Respondents recovered £18.4m through proceeds of crime investigations.
- The highest number of investigations covered council tax fraud (61%) with an estimated value loss of £22.4m. The highest value gained from investigations was in the area of housing fraud and totalled £148.4m.
- Respondents told us that their biggest issues in countering fraud were:
  - having the capacity to identify fraud risk and investigate allegations
  - having effective fraud risk assessment and management
  - barriers to data sharing.



## Recommendations

CIPFA recommends the following:

- Public sector organisations should carry out fraud assessments regularly and have access to appropriately qualified counter fraud resources to help mitigate the risks and effectively counter any fraud activity.
- All organisations should undertake an assessment of their current counter fraud arrangements.
- In line with the Fighting Fraud and Corruption Locally Board suggestion, local authorities should examine and devise a standard and common methodology for measuring fraud and corruption. Once it has been agreed, local authorities should use the measure to estimate levels of fraud and corruption.
- It is as important to prevent fraud that has no direct financial interest, such as data manipulation and recruitment, as it is high value fraud
- Organisations should develop joint working arrangements where they can with other counter fraud professionals and organisations.
- Public bodies should continue to raise fraud awareness in the procurement process, not only in the tendering process but also in the contract monitoring element
- Authorities should ensure that anti-fraud measures within their own insurance claims processes are fit for purpose and that there is a clear route for investigations into alleged frauds to be undertaken.

# Introduction

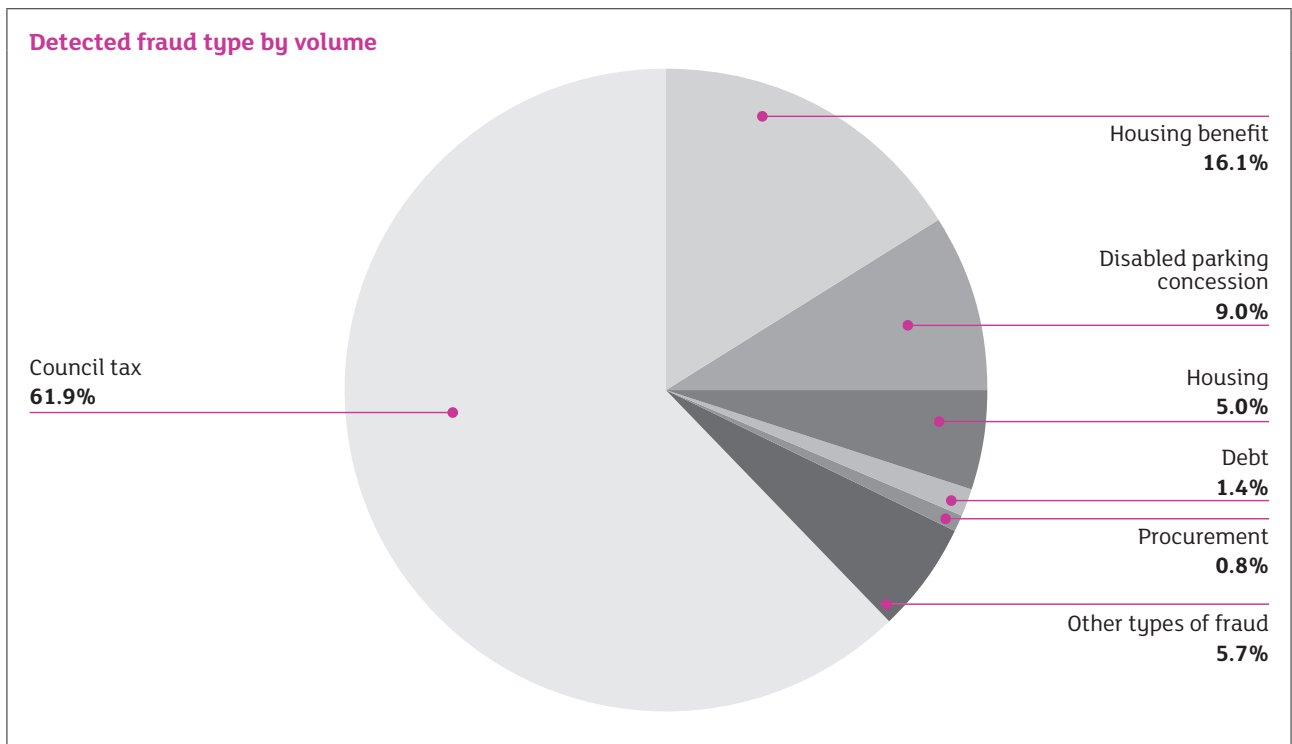
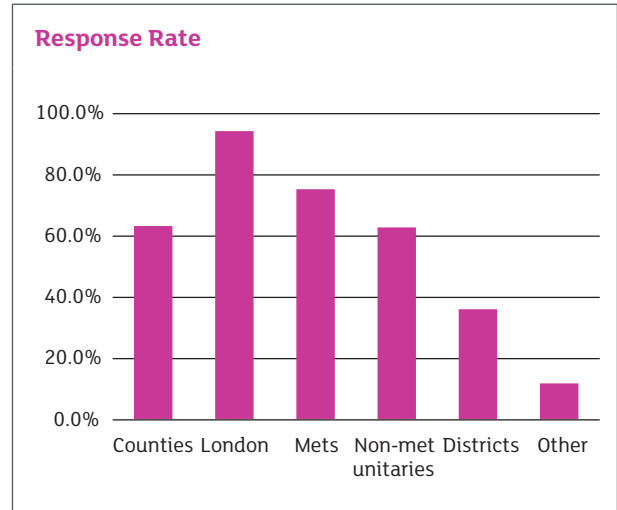
This report is based on the findings of the CIPFA Fraud and Corruption Tracker (CFaCT) survey 2016 and identifies and focuses on types of fraud activity common in the public sector such as procurement, housing and expenses.

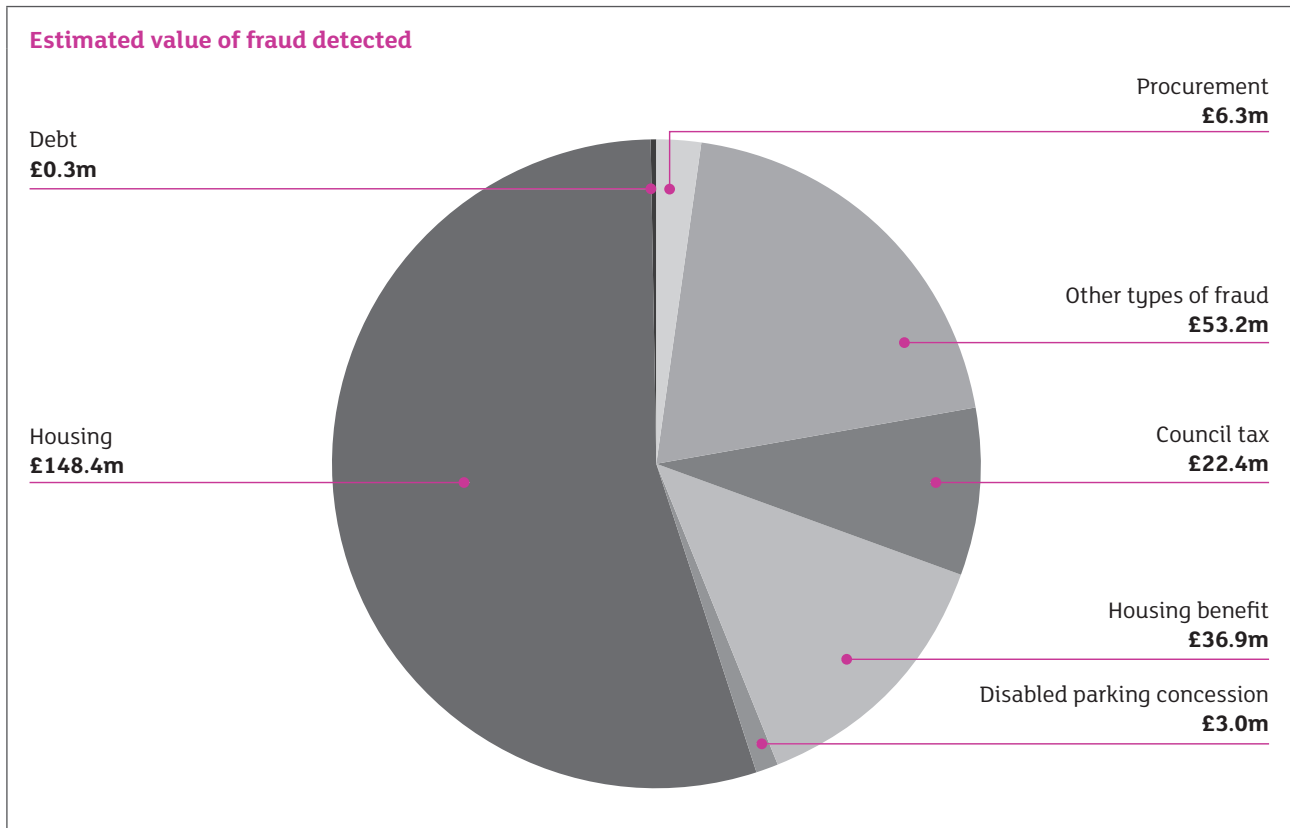
Fraud is an ongoing problem and this report seeks to examine the extent of the problem and recognise public sector organisations whose activity to tackle fraud has resulted in successes, either in the areas of prevention or detection. While it focuses on frauds specifically experienced in local authorities, many types of fraud discussed can be experienced by any organisations.

The CFaCT survey received a spread of results across all regions. We received a good response, particularly from London boroughs. The low response from district authorities could be due to the fact that larger fraud risks are managed at county level. District councils were also the most likely not to have access to a counter fraud function.

It is important to note that the measurement of the value of fraud loss has varied between authorities within several areas. For example, with regard to mandate fraud some organisations record the loss prevented and others record nothing at all.

Below are the response rates for the CFaCT survey:





## Main types of fraud

### Council tax

The area of council tax includes investigations in the following areas:

- council tax single person discount
- council tax reduction support
- other types of council tax fraud, eg other exemptions, discounts or evasion.

Council tax fraud represents the highest number of fraud cases reported by local authorities. According to respondents, 59 local authorities responsible for the collection of council tax undertook no investigations into the area of single person discounts. Of those authorities that did carry out council tax single person discount reviews, there is a wide variance in the number of cases recorded as fraud. There are three reasons for this:

1. Local authorities identify exceptions as a result of data matching exercises but do not undertake formal investigations in each matter.
2. Local authorities consider council tax single person discount fraud risk sits within their revenues department as a compliance issue rather than within their counter fraud teams.

3. Local authorities investigate specific cases of fraud as they are referred.

Local authorities are required to undertake local risk assessments and identify the most efficient way in which to mitigate high volume, low value fraud risk. Local authorities should consider carefully whether examining 2,500 exceptions:

- a. indicates a weakness in controls
- b. is a good use of the counter fraud resource
- c. is an issue that would be most efficiently managed within the authority's revenues department.

Many councils retain links with local DWP investigators to help with investigations into council tax reduction fraud. Such links can prove important to investigations in other areas, including housing and social care frauds, where social security fraud may also be involved.

Single person discount, council tax reduction and other types of council tax fraud combined represent an estimated 47,747 cases and £22.4m in detected and prevented fraud.

### Council tax fraud breakdown

	Volume of cases	Value of cases
SPD	37,053	£14.8m
CTR	8,830	£5.6m
Other	1,864	£2.0m
Total	47,747	£22.4m

### Housing benefit

Fraud within the housing benefit scheme includes all deliberate and dishonest actions to obtain money to which the applicant was not entitled, including failure to report changes that would affect the amount of money paid.

Although local authorities are no longer responsible for the investigation of housing benefit fraud, it was still recognised as one of the top three risks for local authorities. Although the DWP has responsibility for the investigation of alleged fraud, it is the local authority's responsibility to collect any overpaid benefit. This generates a cost and risk for the authority.

### Case study – Oldham Council

Oldham Council worked with DWP to create the Single Fraud Investigation Service (SFIS) as part of a 'pilot' National Programme. One of the key requirements of the pilot was to capture results in order to:

- inform the creation of the National Programme
- ensure that staff involved were sufficiently supported to allow a smooth transition
- develop an appropriate and responsive retained corporate counter fraud team.

In July 2014, the council was one of the first of five pilot authorities to transfer responsibility for the investigation of benefit fraud to the newly created SFIS. The council also retained some of the benefit investigators in order to develop a corporate counter fraud team to respond to alleged frauds committed against the council and help mitigate fraud risks faced by the council.

Audit and counter fraud managers created an in-house team with the skills to meet the current and future needs of the council. The two key areas being:

- recognising any residual risk to the council following the transfer of benefit fraud to SFIS, and developing effective processes for cases involving claims for CTR and the role of the retained council team
- determining the appropriate and adequate level of resources for the retained team to meet demand and to continue to deliver a professional service in accordance with the agreed professional and technical quality standards.

The council's fraud team worked together with the SFIS around council tax fraud and the referral of potential housing benefit fraud cases. Both parties met other relevant agencies on a weekly basis to conduct local joint anti-fraud initiatives.

As a result of the SFIS the fraud team exceeded expectations and achieved three times more cases than in previous years and identified overpayments totalling £375,000.

**£22.4m:**  
the estimated total of council tax fraud detected and prevented in 2015/16

According to respondents the number of housing benefit frauds investigated in 2014/15 was 12,989 cases and involved a loss value of £56.9m. The number of detected frauds reported in the CFaCT this year was 2,791 with a loss value of £8.3m. This is to be expected with the transfer of housing benefit fraud investigation now completely transferred to the DWP. However, 50 councils still saw benefit fraud as the largest risk area to the authority since the financial loss of benefit fraud is still borne by councils once the investigation is complete.

### Housing and tenancy fraud

This category of fraud includes subletting, abandonment, housing application fraud, succession and right to buy fraud. There are three key points:

- In some areas of the country there is greater demand for housing and this increases the prevalence of fraud. Thus London boroughs identified housing fraud as their highest fraud risk. Even some inner London boroughs face a greater risk than boroughs in the suburbs. The housing application process and proactive exercises such as tenancy audits help mitigate fraud risk.
- The value of right to buy fraud is higher in London than it is in other parts of the UK due to the overall cost of housing.
- There is a large variance in the values attributed to losses in the housing sector recorded within the survey. While any loss figure attached to council property is notional and does not have a tangible cash value, there is clearly a value in this type of investigation.

According to the survey, councils record the income lost to housing fraud according to different values. They ranged from being equal to a notional cost of replacing a property to the average cost for keeping a family in bed and breakfast accommodation for a year. Other councils recorded a loss based on the premise that each illegal sublet continues for a period of three years and simply multiplied an annual figure by three.

With regard to placing a value on the right to buy fraud cases, most local authorities would claim a representative or notional saving of the value of the discount. This is a common sense approach, but does not represent the saving to the local authority with regard to the prevention of the sale. A right to buy fraud is not solely a fraud in regard to the application, but a fraud discovered as a *result* of the application. For example, a local authority tenant applies to purchase a property and it transpires they have been illegally subletting.

The Fighting Fraud and Corruption Locally Board has recommended that a working group should produce a standard methodology for measuring fraud and corruption within local authorities. This methodology would be used to estimate levels across the UK.

Some local authorities, with and without housing stock, undertook investigations in the areas of temporary accommodation and private sector leasing. Some also undertook investigations for other social housing providers (eg housing associations). Where investigations were undertaken, local authorities either charged the housing associations for the delivery of the investigation by way of an hourly rate or in return for the nomination rights in the event that a property is recovered.

During 2014/15 the highest number of housing and tenancy cases reported was in subletting, followed by a mixture of housing fraud types such as succession and abandonment. While registering the lowest number of cases in this category, right to buy was listed as an emerging risk by many local authorities. With the increase in publicity in this area and the substantial discounts available it is an attractive offer for the fraudster as well as the legitimate tenant. This is a potential area of risk for housing associations in the future as the right to buy scheme is rolled out.

### Housing fraud breakdown

	Volume of cases (est)	Value of cases (est)
Right to buy	870	£63,100
Illegal sublet	1,220	£46,000
Other*	2,283	£112,800

\*Other includes tenancy frauds that are neither right to buy or illegal sublet, and may include succession and false applications.

**1,220:**  
the number of cases of subletting investigated during 2015/16

**£148.4m:**  
the estimated value loss from investigated housing fraud during 2015/16

### Case study – London Borough of Croydon

In 2015 the London Borough of Croydon worked with the United States Secret Service (USSS) to investigate an allegation against one of their tenants, Ms B. The allegation received through the local authority's online fraud referral service suggested that the tenant had been subletting their council house and had been living in the US for the last ten years.

The tenancy had been ongoing since 2003 when Ms B, registering as a lone parent with two children, submitted a housing benefit claim. Following the allegation Croydon's fraud team made enquiries and discovered that the children had not been registered for school or nursery in the borough, bar one short period. The current residents of the property included the woman's brother who admitted during interview that his sister lived in the US. The locks on the property were changed and although requests for the keys were made by the tenant's brother these requests were not complied with.

Utilising contacts developed at the Croydon Fraud and Enforcement Forum the local authority was able to contact the USSS and following the enquiry they confirmed that Ms B was living in the US at the address provided in the original referral.

Evidence from the USSS was offered to the court and on 16 December 2015 the order for possession was made with immediate effect.

### Disabled parking (Blue Badge)

The Blue Badge is a Europe-wide scheme allowing holders of the permit to parking concessions which are locally administered. In 2014/15 the number of cases reported was 2,545 and the value attributed to this loss by local authorities was £1.0m. The figure has increased to 4,331 in 2015/16.

The value attributed to disabled parking by most authorities is a notional one, since in most cases it is impossible to calculate the actual loss. As with other types of fraud, local authorities calculate the value in different ways and for some authorities the value of parking is greater than others. Value is attributed based on the parking charges within an authority but there is no direct financial recovery to be made from the identification of a Blue Badge fraud. In the event that a Blue Badge misuse is identified it is often prosecuted and the individual fined (which is paid to the court). The prosecuting authority is also awarded costs, however, these costs often do not meet the full cost of the investigation and prosecution.

Some local authorities invest more counter fraud resource in the investigation of disabled parking abuse than others, and not all councils attribute a value to the fraud or misuse. Some councils do not use investigators to look into allegations of Blue Badge fraud and 38 authorities recorded no cases of fraud in this category.

The misuse of Blue Badge is not a high value loss to most local authorities and in most cases there is no recovery to be made. However, the misuse of disabled parking can cause difficulties to disabled users who need the spaces and there is therefore value in the investigation.

### Debt

Debt fraud includes fraudulently avoiding a payment of a debit to an organisation, excluding council tax discount. There were 975 cases investigated, however they represent a small portion of financial loss at £0.2m.

**4,331:**  
the number of disabled parking cases  
in 2015/16

London boroughs identified housing  
fraud as their highest fraud risk

## Other types of fraud

This section outlines some potentially high fraud risk areas. These risks are higher in some geographic locations and some organisations than others.

### Social care and no recourse to public funds

Social care and welfare assistance was one of the highest types of 'other frauds' reported. In 2014/15, 287 cases of detected fraud in social care were reported and welfare assistance totalled 104 cases. Welfare assistance fraud was identified as one of the top three risks that local authorities were facing. This year CIPFA split the welfare assistance category to include adult social care, child social care and 'no recourse to public funds' (whereby someone can have permission to live in the UK but not to claim benefits, tax credits or housing assistance). Respondents reported that 233 cases of 'no recourse to public funds' had been investigated. There were 229 cases within the other welfare categories with the largest number in adult social care (194).

While it looks like social care fraud has increased, this could be in part due to the increase in investigators.

While 'no recourse to public funds' fraud presents a significant fraud risk to local authorities, it is primarily to be found in London, southeast England and larger metropolitan boroughs.

Several local authorities who identified that 'no recourse to public funds' was a risk have undertaken pro-active anti-fraud exercises in this area, including visiting recipients of the funds and undertaking fraud awareness exercises with those responsible administering the scheme.

### Procurement fraud

This includes any fraud associated with the false procurement of goods and services for an organisation by an internal or external person(s) or organisations in the 'purchase to pay' or post contract procedure, including contract monitoring.

**353:**  
the number of procurement fraud cases reported in 2015/16 – five times more than the previous year.

Procurement fraud often involves significant sums of money and is recognised as a considerable fraud risk across all public sector organisations.

There can be sizeable difficulties in measuring the value of procurement fraud since it is seldom the total value of the contract but an element of the contract involved. The value of the loss especially post award can be as hard to measure, but equally significant.

During 2014/15, 60 cases of identified procurement fraud were reported. In this year's survey the number of cases increased by five times to 353 cases. We have used this figure to estimate that there could be as many as 623 cases totalling £6.3m across the UK annually.

CIPFA recommends that public bodies continue to raise fraud awareness in the procurement process, not only in the tendering process but also in the contract monitoring element. This area can be particularly difficult to enforce especially where there have been efficiency savings made in the area of contract monitoring.

### Insurance claims

This fraud includes any insurance claim that is proved to be false, made against the organisation or the organisation's insurers. Respondents identified insurance fraud as the single biggest area for insider fraud with 39 cases being investigated during the year. Four respondents identified insurance as an emerging fraud risk.

In 2014/15, CIPFA estimated the number of detected cases was 237 across the UK. This year the figure has risen to 422 cases and the average loss value is £14,600. CIPFA would recommend that organisations ensure that anti-fraud measures within their own insurance claims processes are fit for purpose and that there is a clear route for investigations into alleged frauds to be undertaken.

**£14,600:**  
the average loss value to an insurance fraud case



### **Economic and voluntary sector (grant fraud)**

Frauds in this area relate to the false application or payment of grants or financial support to any person and any type of agency or organisation. There were 28 cases investigated in 2014/15 but only 10 cases were investigated in 2015/16. It is possible that there is less funding for this type of activity within the sector, but we would suggest organisations realise that there is a risk in this area. Four organisations noted that grant fraud was an area of high risk, including a police authority and a passenger executive.

#### **Grant fraud is defined by Action Fraud as:**

*“Fraud relating to public funding and grants happens when individuals, organisations (including businesses and charities) or organised criminal groups claim public funding or grants that they are not eligible for. Fraudulent claims could be made to a number of public organisations for example local authorities, the Lottery Commission, European Union and the Student Loans Company.”<sup>1</sup>*

#### **The fraud falls into two broad categories including:**

**Insider fraud** – related to the identification of the needs of the deliverable, the specification of the project and the monitoring of the project, this can be the result of a lack of declarations of interest.

**Delivery fraud** – the organisation delivering the work claims to have delivered outcomes or services that it has not. This can be caused by poor governance arrangements in the organisation and/or a lack of monitoring on behalf of the awarding authority. This can be exacerbated by restrictions with regard to rights of audit of the grant funding organisation.

It is often difficult to measure outcomes in relation to the work of grant funded organisations. A high volume of low value grants can exaggerate the risk because it is simply not proportionate to undertake monitoring at a level that might find fraud.

Mazars LLP investigated an organisation on behalf of a grant awarding client. The organisation had received a grant to run a community event with public performances and a contract had been agreed.

Investigations undertaken by Mazars found that the organisation had posted video footage of previous events on YouTube as part of its proof of delivery. In addition, the organisation supplied bank statements, invoices and a licence allowing public performances. The investigation found that all the documents supplied had

been fabricated, including bank statements, invoices and a licence allowing public performances.

### **Manipulation of data (financial or non-financial)**

The most common frauds within the manipulation of data relate to employees changing data in order to indicate better performance than actually occurred and staff removing data from the organisation, it also includes individuals using their position to change and manipulate data fraudulently or in assisting or providing access to a family member or friend. We estimate, based on the figures supplied to us, that across the UK there have been 34 cases of this type of fraud. However, it can be the case that this type of fraud does not receive the attention it requires for two reasons:

1. it is difficult to attach a value to data therefore it is hard for public bodies to report a success; of the eight cases that were reported in the CFaCT none had a value attached to it
2. there can be a reputational risk to the organisation, as a result some organisations can be less keen to investigate or report investigations in this area.

### **Pensions and investments funds pensions fraud**

This includes all fraud relating to pension payments, including but not limited to failure to declare changes of circumstances, false documentation, or continued payment acceptance after the death of a pensioner. The estimated national value was £1.1m; no cases involved employees or councillors.

### **Investments fraud**

There was only one case of investment fraud reported this year, but it was valued at over £200,000. There were 11 reported in 2014/15. We are not aware of any significant changes during the year that would have had this effect.

### **Payroll**

This includes inputting ‘ghost employees’ and manipulating payroll data. The number of cases detected in 2014/15 was 137, and this has dropped to 39 in 2015/16. We have estimated that 172 cases of fraud occurred across the UK during 2015/16 representing a loss value of £400,000.

### **Expenses fraud**

Respondents reported 35 cases, which is a drop from 56 in 2014/15. Based on this information we estimate a value loss of £500,000 across the UK for expenses fraud.

Non-council public authorities completing the survey identified expenses fraud as one of their top risks.

<sup>1</sup> [www.actionfraud.police.uk/types\\_of\\_fraud](http://www.actionfraud.police.uk/types_of_fraud). Action Fraud is a national fraud hotline run by the City of London Police



### Recruitment fraud

This includes false CVs, job histories, qualifications, references or referees. The number of cases detected in 2014/15 was 80. In 2015/16 CIPFA estimates the number of recruitment fraud cases across the UK to be 218, with an estimated loss value of £0.9m. As mentioned with regard to other types of fraud it can be very difficult to measure the cost of recruitment fraud. It would carry implications including reputational damage, the costs of further recruitment and investigations into the motives behind the fraud.

### Business rates

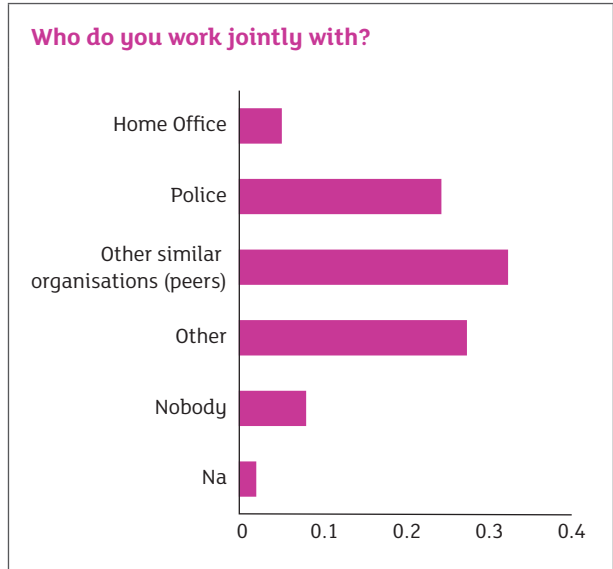
Fraud in the area of business rates appeared as an emerging risk in the 2014/15 report. This year 29 local authorities considered this type of fraud to be a high risk. We have estimated that there could be £4.6m of fraud across the UK in the area of business rates.

### Serious and organised crime

It is important that the public sector understands the nature and scale of fraud and corruption if it is to put forward its best defence. In a time when fraud and corruption threats are sophisticated and organised criminals are becoming ever more resilient, it is crucial that the public sector understands the full extent of the threat and sees patterns and future issues. As part of this survey the Home Office requested CIPFA's help in establishing the true picture of serious and organised fraud across the UK.

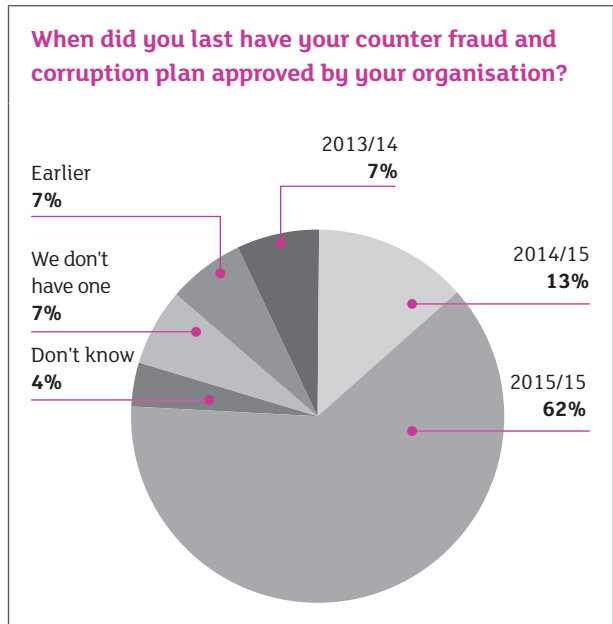
Working jointly is an area recognised both by survey respondents and the Home Office as being important in order to combat serious and organised fraud. The chart 'who do you work jointly with?' shows that most survey respondents do work together with other organisations. Those that do not should consider whether there is scope within their anti-fraud arrangements to do so.

**“Organised fraud often cross local authority boundaries and investigations tend to be complex, requiring the deployment of specialist resources, such as computer forensics or surveillance capability. Such resources are expensive and expertise needs to be constantly used to maintain effectiveness).” FFCL, 2016**

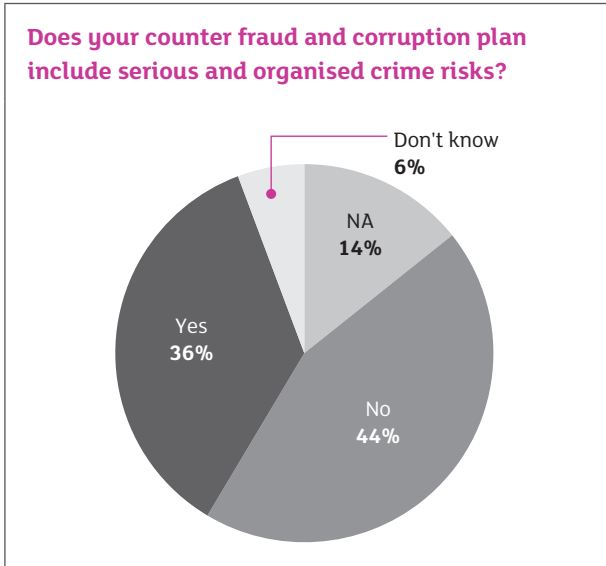


In addition we asked whether organisations shared data and found that over 85% did share data both internally and externally.

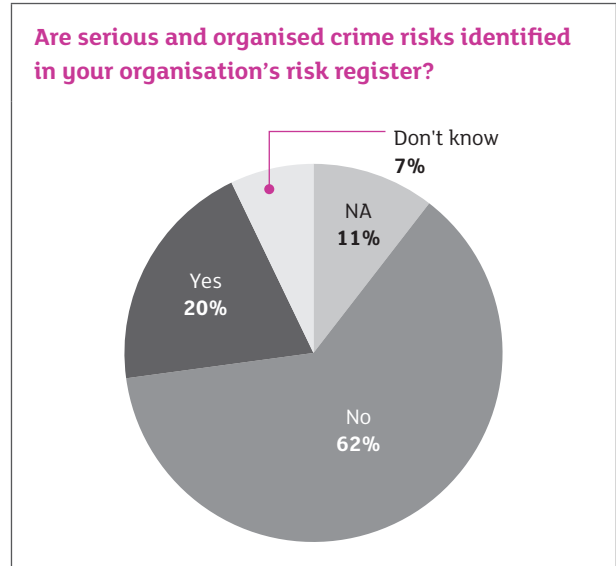
We asked organisations when they last had their counter fraud and corruption plan approved by their organisations, most responded that it was within the last year, although 11% of organisations either did not know or did not have a counter fraud and corruption plan approved. CIPFA recommends that all organisations have a counter fraud and corruption plan approved by the organisation annually.



We asked respondents to tell us whether their counter fraud and corruption plans include serious and organised crime risks. While 44% do not include this risk in their plans, 36% do cover it and 20% were unable to say.



In addition, we asked if organisations had considered serious and organised crime in their risk register. We found that most had not, with only 20% confident of their inclusion.



**85%:**  
percentage of respondents that share data both internally and externally

## Collaborative working – the London Boroughs of Tower Hamlets and Redbridge approach

The corporate anti-fraud team at the London Borough of Tower Hamlets worked with the London Borough of Redbridge, the police and the DWP to investigate a serious and organised fraud that involved a claim for housing benefit and tax credit totaling £1.6m.

As part of a subsequent prosecution, three of the ringleaders of the organised crime unit were prosecuted and received combined jail sentences totaling over 12 years for facilitating false applications for benefits and providing false documents allowing benefits to be claimed.

As claims began to increase the assessment process identified other behaviours that appeared concerning, including the speed at which applicants were able to provide full documentation after only a few days of arriving in UK. The corporate anti-fraud team within Tower Hamlets undertook a systematic examination of each aspect of the claim including:

- Home Office verification
- school attendance records
- contacting letting agents
- checking council tax payments
- Companies House
- business rates
- trading Standards.

This examination identified links to claims being paid by the London Borough of Redbridge, both boroughs then worked in collaboration to produce information for the police and the DWP's National Fraud lead.

The bringing together of both local and central government investigators and service delivery meant the results were effectively managed. Every investigation involved necessary and extensive research and applications containing fictitious pay slips and employment documents that were facilitated by unscrupulous fake employers were identified.

The impact of this collaborative approach was:

- shared investigation costs
- use of other organisations' intelligence
- ability to bring the facilitators to court, not just the applicants who played a small part in the fraud
- the identification of the total loss to the public purse and therefore an appropriate level of asset recovery
- totality of sentencing.

## Whistleblowing

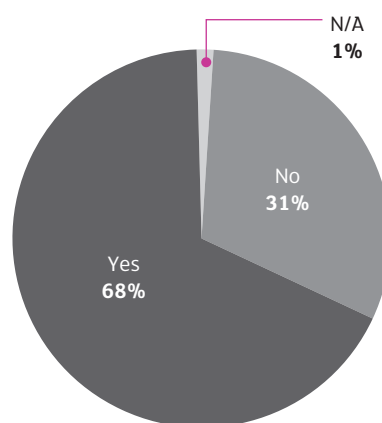
Whistleblowing is the popular term used when someone who works in or for an organisation raises a concern about a possible fraud, crime, danger or other serious risk that could threaten customers, colleagues, shareholders, the public or the organisation's own reputation.

All organisations told us they have a whistleblowing policy and just over half reviewed this policy on an annual basis (see chart).

CFaCT respondents reported a total of 505 whistleblowing cases, made in line with *PAS 1998:2008 Whistleblowing Arrangements Code of Practice* (PAS 1998:2008)<sup>2</sup>. This represents disclosures in all areas, not just in regard to suspected fraudulent behaviours.

As an early warning system, whistleblowing arrangements can help alert organisations to various elements of risk that could threaten customers, colleagues, shareholders, the public or the organisation's own reputation. Organisations should therefore ensure that whistleblowing processes are reviewed regularly in accordance with PAS 1998:2008.

**Do those responsible for governance annually review your whistleblowing arrangements in line with PAS 1998:2008?**



<sup>2</sup> [http://wbhelpline.org.uk/wp-content/uploads/2012/07/PAS1998\\_Whistleblowing1.pdf](http://wbhelpline.org.uk/wp-content/uploads/2012/07/PAS1998_Whistleblowing1.pdf)

## Counter fraud and corruption resources

The landscape of fraud for the public sector has changed significantly over the last year with leaner operations, and for local authorities the introduction of the DWP's SFIS has seen a workload shift. Our survey asked a number of questions about those involved in countering fraud.

Responses to the survey showed:

- 44 organisations have no dedicated counter fraud resource or consider it not applicable
- the number of FTE investigation staff has increased year on year since 2013/14 and organisations are planning for a further increase in the number of investigation staff
- the number of planned non-benefit investigators during 2014/15 has been exceeded. This may show that some organisations have realised the value of investing resources in this area.

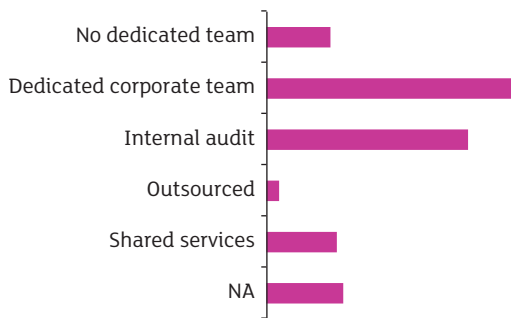
While it is not essential for all organisations to have a dedicated counter fraud function, CIPFA suggests it is important that organisations have a fraud response

plan that enables allegations of fraud to be investigated effectively by skilled and professional investigators.<sup>3</sup>

We asked respondents to the survey about the type of counter fraud and corruption resources they had access to and found that there was a variety of responses. Each organisation must make its own decision on the level and type of resource required in order to carry out its duties with regard to countering fraud, however CIPFA feels is essential that those involved in the counter fraud function are professionally qualified.

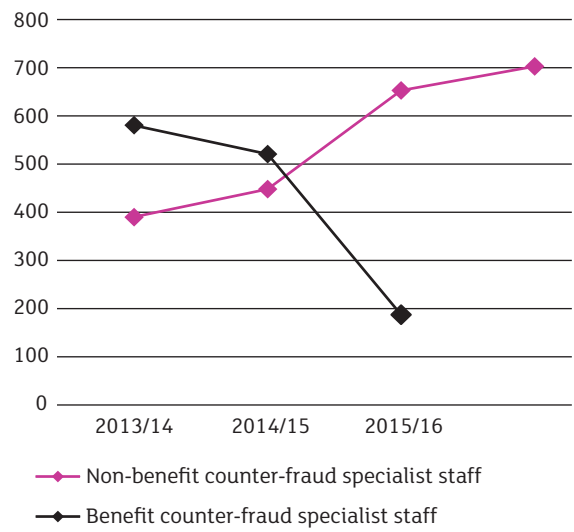
<sup>3</sup> See the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption [www.cipfa.org/services/counter-fraud-centre/code-of-practice](http://www.cipfa.org/services/counter-fraud-centre/code-of-practice)

**Description of counter fraud and corruption resource?**



The chart on the right shows that the number of counter fraud staff has increased over the last three years and that the level of resource will continue to increase during the year ahead. It is likely that those organisations who completed the survey are those with a strong commitment to anti-fraud and are therefore those more likely to be investing in that area.

**Counter fraud staff in the public sector (FTE) at 31 March each year**



**Case study – Manchester City Council**

Care packages and other associated welfare related benefits can involve high value payments over the course of a year. A social worker became suspicious that an individual in receipt of support funding had overstated their level of need. A subsequent investigation by counter fraud specialists from the council and the DWP identified a number of irregularities resulting in overpayments in excess of £100,000. The suspect no longer receives personal budget funding or disability living allowance and the case has been referred to the Crown Prosecution Service.

Originally produced in the Fighting Fraud and Corruption Locally Strategy

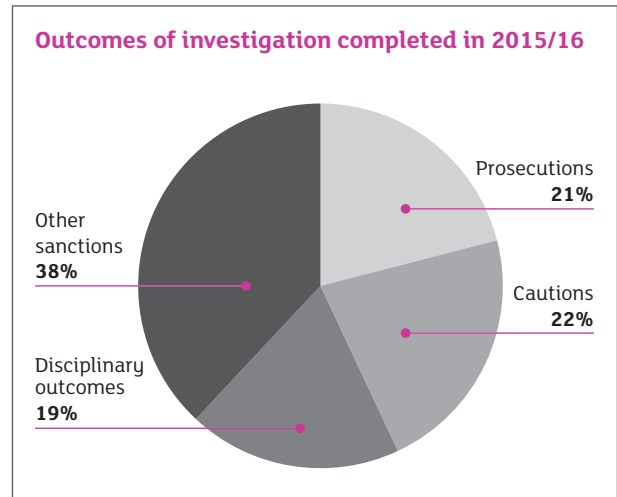
## Sanctions

In the 2014/15 survey report we recorded the number of prosecutions undertaken by different authorities such as the Crown Prosecution Service (CPS) or in-house teams. This year we examined the number of outcomes recorded by organisations.

In the chart:

- prosecutions include both in-house and CPS prosecutions
- cautions relate to a verbal warning given in circumstances where there is enough evidence to prosecute, but it is felt that it is not in the public interest to prosecute in that instance
- disciplinary outcomes relate to the number of instances where as a result of an investigation by a fraud team disciplinary action is undertaken, or where a subject resigns during the disciplinary process
- other sanctions include the imposition of fines or other penalties by the organisation.

The chart gives details of outcomes excluding housing benefit fraud, and shows that where fraud is found a wide range of disposals are considered.



## Fighting Fraud and Corruption Locally

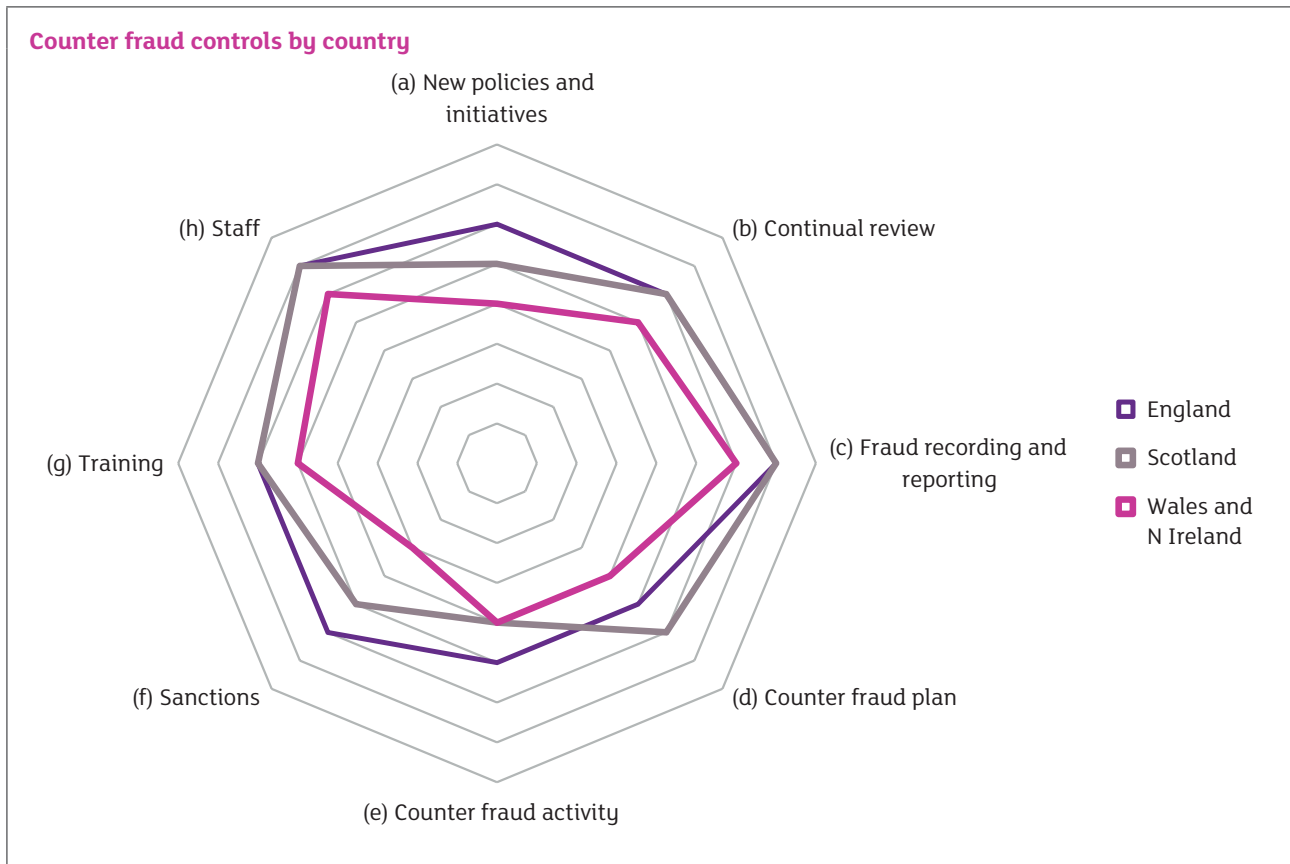
The production and implementation of the *Fighting Fraud and Corruption Locally (FFCL) strategy* is overseen by the FFCL Board, which includes representation from key stakeholders. The *FFCL strategy 2016–2019* was developed by local authorities and counter fraud experts and is the definitive guide for local authority leaders, chief executives, finance directors and all those with governance responsibilities.

The strategy includes practical steps for fighting fraud, shares best practice and brings clarity to the changing anti-fraud and corruption landscape.

The CIPFA Counter Fraud Centre drafted the strategy on behalf of the FFCL board. Development of the strategy is informed, in part, by the response to the CFaCT survey, which asks specific questions with regard to the way fraud is dealt with within organisations.

The chart below shows the responses to these questions by country. There was a small sample return from Scotland and all responses given are based on each organisation's own self-assessment of their position.

We would note that those who have completed the survey are likely to be those who have invested in their counter fraud functions and are currently delivering services in this area. The response may be different among those organisations who did not complete the survey.



## Emerging areas

Last year we asked respondents to tell us where they saw emerging risk areas. Respondents included procurement, organisational change, personal budgets and cyber fraud as areas of potential concern.

We did not ask a question specifically about emerging trends in the 2015/16 CFaCT survey. However, there were some areas that organisations felt were of growing concern. Procurement was seen as an emerging trend in 2014/15 and we saw an increase in cases from 60 to 353 over the year. Within the survey right to buy fraud cases have increased by over 50%. Given the continued discount and the lack of affordable housing this could create conditions that encourage fraud. This could be a particular issue in London where the cost of housing is higher than in other parts of the UK.

Fraud in the area of business rates appeared as an emerging risk in the 2014/15 report. This year 29 local authorities considered this type of fraud to be a high risk.

Personal budgets and direct payments were covered by adult social care and children's social care this year.

In 2014/15 there were 287 cases reported, which has decreased to 215 in 2015/16. It is clear from responses that the fraud risk in social care is not diminishing, however better controls in some aspects may be having an effect.

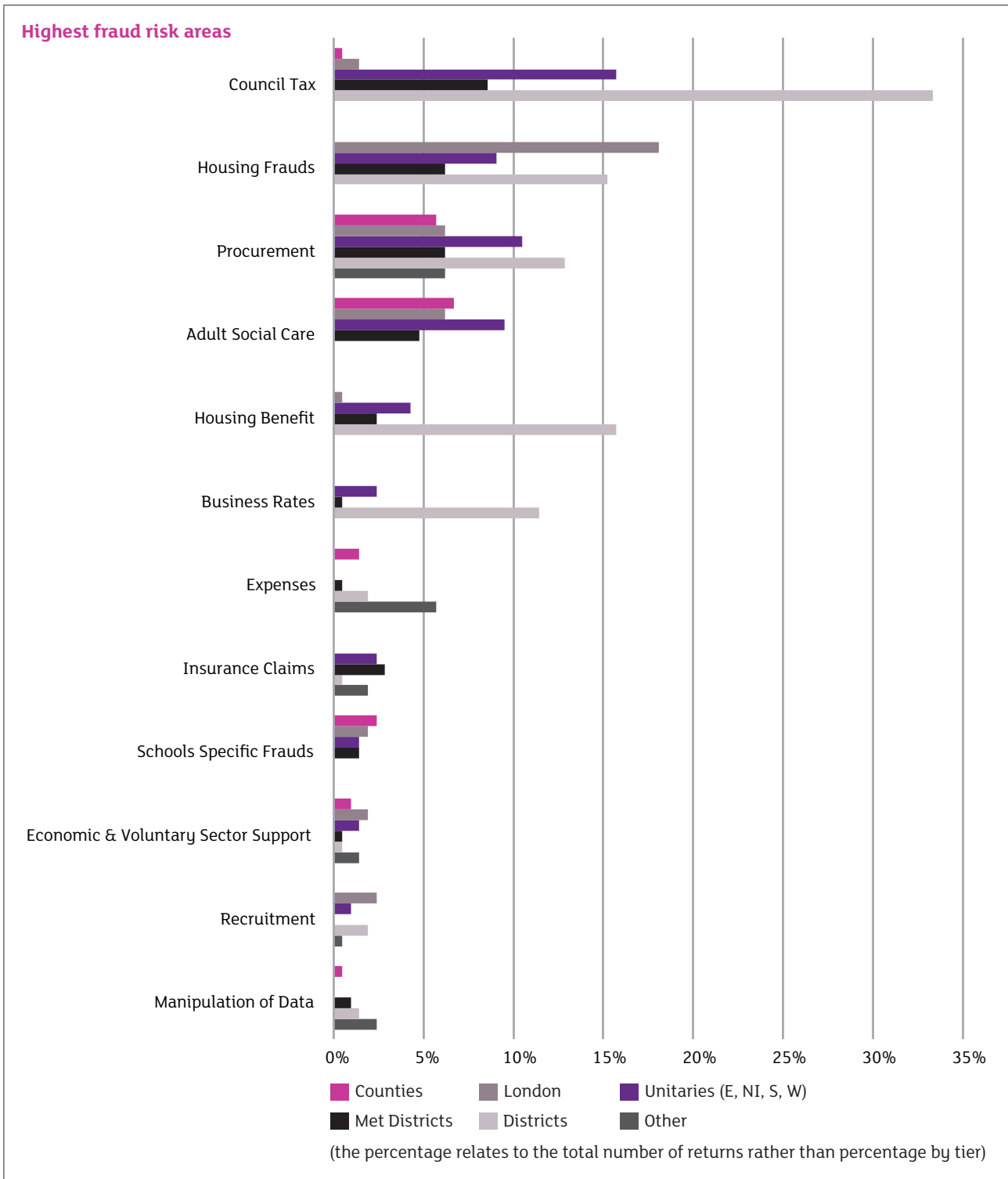
### Highest fraud risk

This year at the request of the Home Office we asked respondents to identify the highest risks to their organisation. Respondents told us their highest risks were:

- council tax
- housing
- procurement
- adult social care and housing benefit.

Answers varied significantly by organisation and a more detailed response can be seen in the chart overleaf.





**What do you perceive as the three highest fraud risks areas for your organisation?**

We asked respondents to tell us what they perceived as the three most significant areas that need to be addressed to effectively tackle the risk of fraud and corruption in their organisation.

As with the 2014/15 survey, the biggest issues in countering fraud remain the same:

- having the capacity to identify fraud risk and investigate allegations
- having effective fraud risk assessment and management
- barriers to data sharing.

## Financial investigation

Financial investigators are those professionally accredited for the purpose of recovering assets in accordance with the Proceeds of Crime Act 2002 (POCA). Nearly half of respondents to the survey (44%) had no access to financial investigation resource, while 56% did have access.

Organisations told us that they have been awarded £27.5m by courts through POCA (excluding housing benefit/council tax benefit) over the last three years. Of this money, respondents told us that a total of £18.4m has been recovered.

The CFACT found that some authorities have collected more during the year than has been awarded. This is because some older cases are now coming to fruition and that the complex nature of cases means recovery can be delayed. Unsurprisingly, people whose assets are being confiscated are often keen to protect them.

The National Audit Office (NAO) notes that “in practical terms only a very small proportion of criminal gains can ever be confiscated. This is because much crime is not reported, criminal gains are often disposed of quickly or transferred out of reach, and many criminals are determined to keep as much as they can regardless of the sanctions made against them. In practice, therefore, confiscating assets often requires law enforcement officers to show skill, determination and persistence.”<sup>4</sup>

<sup>4</sup> *Confiscation Orders: Progress Review* (NAO, 2016)

### Case study – London Borough of Newham

While investigating an issue with planning permission OneSource, on behalf of the London Borough of Newham, recovered an amount after taking the defendant to a confiscation hearing.

Mr C had requested planning permission to convert a retail office into a vehicle workshop, car sales and MOT testing centre and despite permission being refused he had gone ahead with the work. During the conversion process Mr C ignored an enforcement notice requiring him to stop and was therefore taken to court to appear at a confiscation hearing.

It was calculated that Mr C's criminal benefit from the offence was over £196,000 and his available assets were calculated as £829,000. At the confiscation hearing the judge made the following order:

- £500 fine
- £50 victim surcharge
- £4,456 costs to be paid within 28 days, with 14 days' imprisonment in default
- confiscation order made in the sum of £196,341.49 (based on the benefit figure).

The defendant was given six months to pay or face two and a half years in prison.

Recovery in cases like this is relatively easy as most defendants are commercial landlords and have property they can realise rather than face prison.

CIPFA would like to thank all the organisations that completed the survey along with those that helped by distributing the survey or contributing case studies, including:

- Charlie Adan, Babergh and Mid Suffolk District Councils
- Association of Local Authorities' Treasurer Societies
- Norma Atlay, North Hertfordshire District Council
- Nigel Aurelius, Torfaen County Borough Council
- Chris Buss, London Borough of Wandsworth
- County Chief Auditor Network
- Alan Finch, Local Government Association
- Alison Griffin, London Borough of Bexley
- Local Authority Financial Investigators Forum
- Local Government Association
- London Borough of Croydon
- London Borough of Tower Hamlets
- Margaret Lee, Essex County Council
- Mazars
- Graeme McDonald, Solace
- Ian O'Donnell, London Borough of Ealing
- Oldham Borough Council
- oneSource
- Brian Roberts, Leicestershire County Council
- Mike Suarez, Cheshire East Council
- Society of District Council Treasurers
- Society of London Treasurers
- Solace
- South West London Fraud Partnership
- Brian Taylor, Scottish Government
- Donald Toon, National Crime Agency
- Huw Vaughan Thomas, Wales Audit Office
- Chris West, Coventry City Council
- Duncan Whitfield, London Borough of Southwark
- Peter Turner, London Borough of Bromley

## Appendix 1

The table below lists the types of fraud reported in the survey, an extrapolated figure estimating the number of cases across the UK based on the cases reported in the survey and an estimate of the cost incurred in 2015/16. We also give an estimated value per case.

Types of fraud	Fraud cases	% of the total	Value £m	% of the total value	Average £'000
Council tax	47,747	61.90%	22.4	8.30%	0.47
Housing benefit	12,429	16.10%	36.9	13.60%	2.97
Disabled parking concession	6,931	9.00%	3.0	1.10%	0.43
Housing	3,842	5.00%	148.4	54.70%	38.63
Other fraud	1,855	2.41%	13.1	4.83%	7.07
Debt	1,079	1.40%	0.3	0.10%	0.28
Procurement	623	0.80%	6.3	2.30%	12.24
Business rates	447	0.58%	4.6	1.70%	10.34
Insurance claim	422	0.55%	6.2	2.27%	14.59
Adult social care	331	0.43%	2.9	1.06%	8.69
No recourse to public funds	276	0.36%	9.6	3.55%	34.89
Recruitment	218	0.28%	0.9	0.34%	4.25
Pensions	180	0.23%	1.1	0.42%	6.34
School fraud	180	0.23%	0.9	0.34%	5.12
Payroll	172	0.22%	0.4	0.16%	2.52
Mandate	149	0.19%	11.7	4.30%	78.41
Expenses	59	0.08%	0.5	0.18%	8.31
Welfare assistance	42	0.05%	0.0	0.00%	0.19
Manipulation of data	34	0.04%	na	na	na
Children's social care	34	0.04%	0.3	0.12%	9.35
Economic and voluntary sector support	30	0.04%	1.7	0.62%	56.17
Investments	1	0.00%	0.2	0.08%	208.00
	<b>77,081</b>		<b>271.4</b>		

## Survey approach

CIPFA has applied care and diligence to create this picture of fraudulent activity across the UK's public sector.

CIPFA has grouped various fraud areas together rather than give a figure as a whole. For example, council tax includes single person discount and council tax reduction.

The 2016 CFaCT survey assessed all authorities on the themes in the *Fighting Fraud and Corruption Locally (FFCL) strategy*. This aims to help the public sector tackle fraud and corruption and ultimately prevent losses. The FFCL Board also put forward specific questions to be included in the survey to help measure the effectiveness of the initiatives in the strategy. The suggestions in this report, therefore, reflect, endorse and illustrate the long-term agreement between the FFCL Board and CIPFA. We hope that all respondents to the survey were challenged by these questions and have helped them consider where assessments of counter fraud activity would be best focused.

As recommended in the UK Anti-Corruption Plan, the CIPFA Counter Fraud Centre has developed close relationships with the National Crime Agency, the Home Office, and the City of London Police. The survey contains questions pertinent to informing future work in relation to joint working and serious and organised crime.

Due to the wide group of respondents CIPFA has not extrapolated the data, in particular in areas where there may be geographical bias. For example, 'no recourse to public funds' fraud had a high prevalence in the southern authority results returned, with a 97% return for London local authorities.

We have sought to encourage all organisations to complete this survey so that they can benefit from considering their own response to fraud risk, both financial and reputational. We recognise that it is easier for organisations who have a counter fraud function to complete the survey and that this may affect the results. It is important that organisations consider their fraud risk and we hope that this survey will help them in this regard and that they will contribute in future years.





# CIPFA COUNTER FRAUD CENTRE

## Subscribe

To subscribe to the CIPFA Counter Fraud Centre, which gives you access to the tools, alerts and resources needed to combat fraud in the public services, please complete the application form on our website.

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Dates for our Accredited Counter Fraud Specialist and Accredited Counter Fraud Technician are now available for 2017. Both qualifications are accredited by the University of Portsmouth's Counter Fraud Professional Accreditation Board and are ideal for those wanting to strengthen their team skills, gain a professional qualification or build a new career in fraud.

## Whistleblowing e-learning

An accessible, interactive e-learning course for staff on whistleblowing and why it is important.

[www.cipfa.org/services/counter-fraud-centre/e-learning/whistleblowing-elearning](http://www.cipfa.org/services/counter-fraud-centre/e-learning/whistleblowing-elearning)

## Anti-bribery and corruption e-learning

An accessible, engaging e-learning package designed to help organisations strengthen their bribery and corruption defences.

[www.cipfa.org/services/counter-fraud-centre/e-learning/bribery-and-corruption-elearning](http://www.cipfa.org/services/counter-fraud-centre/e-learning/bribery-and-corruption-elearning)



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**Public Session**

**Report Reference Number: A/16/11**

**Agenda Item No: 13**

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**To: Audit and Governance Committee**  
**Date: 28 September 2016**  
**Author: Phil Jeffrey, Audit Manager - Veritau**  
**Lead Officer: Karen Iveson, Chief Finance Officer**

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**Title: Internal Audit Charter**

**Summary:**

The purpose of the report is to present an update to the internal audit charter.

**Recommendations:**

**It is recommended that the revised internal audit charter set out at appendix A is approved.**

**Reasons for Recommendation**

To enable the committee to fulfil its responsibilities for internal audit.

**1. Introduction And Background**

1.1. Standards for internal audit in local government are set by the Chartered Institute of Public Finance and Accountancy (CIPFA). From 1 April 2016 CIPFA adopted changes to the Public Sector Internal Audit Standards (PSIAS). Revisions to the council's internal audit charter are required to reflect these changes. Other updates to the charter are also required, to reflect organisational changes. The Committee last approved an update to the charter in April 2015.

**2. The Report**

2.1. The Accounts and Audit Regulations 2015 require the council to have an effective internal audit service that complies with public sector internal audit standards. CIPFA is responsible for setting those standards for councils.

2.2. CIPFA works jointly with other bodies responsible for internal audit standards in the UK public sector (such as HM Treasury and the

Department of Health) to produce common standards - the Public Sector Internal Audit Standards (PSIAS). The PSIAS are based on standards set by the Global Institute of Internal Auditors (IIA).

- 2.3. In July 2015, Global IIA made changes to their standards including the addition of a Mission and Core Principles for the Professional Practice of Internal Auditing. To ensure the UK public sector standards continue to reflect the IIA standards, the Mission and Core Principles have been adopted in the PSIAS from April 2016.
- 2.4. To reflect the changes to the standards, a number of additions to the council's internal audit charter are required. The proposed new charter is included at appendix A, with amendments shown as tracked changes.
- 2.5. A number of other changes are included in appendix A. These reflect changes in wording in the Accounts and Audit Regulations and changes to the organisational structure of the Council. This includes removing references to the Access Selby Board.

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

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

- (a.) None.

#### **3.2. Financial Issues**

- (a.) None.

### **4. Conclusion**

- 4.1 By adopting the proposed changes to the internal audit charter the council will ensure that it:
  - is compliant with the requirements of the Accounts and Audit Regulations 2015 and PSIAS
  - accurately reflects current organisational arrangements.

### **5. Background Documents**

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**Appendices:** - Appendix A - Internal Audit Charter (amended)

**AGENDA ITEM:  
APPENDIX A**



**Selby District Council**

**Internal Audit Charter**

28 September 2016

## 1 Introduction

- 1.1 There is a statutory duty on the Council to undertake an internal audit of the effectiveness of its risk management, control and governance processes~~maintain an adequate and effective internal audit of its accounting records and of its system of internal control~~. The Accounts and Audit (England) Regulations 2011 2015 also require that ~~the internal~~ audit takes into account public sector internal auditing standards or guidance~~is undertaken in accordance with proper practices~~. The Chartered Institute of Public Finance and Accountancy (CIPFA) is responsible for setting standards for proper practice for local government internal audit in England.
- 1.2 From 1 April 2013-2016 CIPFA adopted new-revised Public Sector Internal Audit Standards (PSIAS)<sup>1</sup> compliant with the Institute of Internal Auditors' (IIA) International Standards. The PSIAS and CIPFA's local government application note for the standards represent proper practice for internal audit in local government. This charter sets out how internal audit at Selby District Council will be provided in accordance with this proper practice.
- 1.3 This charter should be read in the context of the wider legal and policy framework which sets requirements and standards for internal audit, including the Accounts and Audit Regulations, the PSIAS and application note, and the Council's constitution, regulations and governance arrangements.

## 2 Definitions

- 2.1 The standards include reference to the roles and responsibilities of the "board" and "senior management". Each organisation is required to define these terms in the context of its own governance arrangements. For the purposes of the PSIAS these terms are defined as follows at Selby District Council.

"Board" – the Audit and Governance Committee/~~Access Selby Board~~ fulfils the responsibilities of the board, in relation to internal audit standards.

"Senior Management" – in the majority of cases, the term senior management in the PSIAS should be taken to refer to the Executive Director/Chief Finance Officer in her role as s151 officer. This includes all functions relating directly to overseeing the work of internal audit. In addition, senior management may also refer to any other director-director or head of service of the Council individually (including the Chief Executive) or collectively as Corporate Management Team (CMT)/the Extended Leadership Team in relation to:

- having direct and unrestricted access for reporting purposes
- consulting on risks affecting the Council for audit planning purposes

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<sup>1</sup> The PSIAS were adopted jointly by relevant internal audit standard setters across the public sector.

- approving the release of information arising from an audit to any third party.

2.2 The standards also refer to the “chief audit executive”. This is taken to be the Head of Internal Audit (Veritau).

### 3 Application of the standards

3.1 In line with the PSIAS, the mission of internal audit at Selby District Council is:

“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.”

3.2 The Council requires that the internal audit service aspires to achieve the mission through its overall arrangements for delivery of the service. In aiming to achieve this, the Council expects that the service:

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organisation.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

3.31 The PSIAS defines internal audit as follows.

*“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”*

3.42 The Council acknowledges the mandatory nature of this definition and confirms that it reflects the purpose of internal audit in Selby. The Council also requires that the service be undertaken in accordance with the code of ethics and standards set out in the PSIAS.

## **4 Scope of internal audit activities**

- 4.1 The scope of internal audit work will encompass the Council's entire control environment<sup>2</sup>, comprising its systems of governance, risk management, and control.
- 4.2 The scope of audit work also extends to services provided through partnership arrangements, irrespective of what legal standing or particular form these may take. The Head of Internal Audit, in consultation with all relevant parties and taking account of audit risk assessment processes, will determine what work will be carried out by the internal audit service, and what reliance may be placed on the work of other auditors.

## **5 Responsibilities and objectives**

- 5.1 The Head of Internal Audit is required to provide an annual report to the Audit [and Governance](#) Committee/~~Access Selby Board~~. The report will be used by the Committee/~~Board~~ to inform its consideration of the Council's annual governance statement. The report will include:
- the Head of Internal Audit's opinion on the adequacy and effectiveness of the Council's framework of governance, risk management, and control
  - any qualifications to the opinion, together with the reasons for those qualifications (including any impairment to independence or objectivity)
  - any particular control weakness judged to be relevant to the preparation of the annual governance statement
  - a summary of work undertaken to support the opinion including any reliance placed on the work of other assurance bodies
  - an overall summary of internal audit performance and the results of the internal audit service's quality assurance and improvement programme
  - a statement on conformance with the PSIAS.
- 5.2 To support the opinion the Head of Internal Audit will ensure that an appropriate programme of audit work is undertaken. In determining what work to undertake the service should:
- adopt an overall strategy setting out how the service will be delivered in accordance with this Charter
  - draw up an indicative risk based audit plan on an annual basis which takes account of the requirements of the Charter, the strategy, and proper practice.
- 5.3 In undertaking this work, responsibilities of the internal audit service will include:

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<sup>2</sup> For example the work of internal audit is not limited to the review of financial controls only.

- providing assurance to the board and senior management on the effective operation of governance arrangements and the internal control environment operating at the Council
- objectively examining, evaluating and reporting on the probity, legality and value for money of the Council's arrangements for service delivery
- reviewing the Council's financial arrangements to ensure that proper accounting controls, systems and procedures are maintained and, where necessary, for making recommendations for improvement
- helping to secure the effective operation of proper controls to minimise the risk of loss, the inefficient use of resources and the potential for fraud and other wrongdoing
- acting as a means of deterring all fraudulent activity, corruption and other wrongdoing; this includes conducting investigations into matters referred by members, officers, and members of the public and reporting findings to directors and members as appropriate for action
- advising the Council on relevant counter fraud and corruption policies and measures.

5.4 The Head of Internal Audit will ensure that the service is provided in accordance with proper practice as set out above and in accordance with any other relevant standards – for example Council policy and legal or professional standards and guidance.

5.5 In undertaking their work, internal auditors should have regard to:

- the mission of internal audit and core principles as set out in the PSIAS and reflected in this charter
- the code of ethics in the PSIAS<sup>3</sup>
- the codes of any professional bodies of which they are members
- standards of conduct expected by the Council
- the Committee on Standards in Public Life's *Seven Principles of Public Life*.

## 6 Organisational independence

6.1 It is the responsibility of directors and service managers to maintain effective systems of risk management, internal control, and governance. Auditors will have no responsibility for the implementation or operation of systems of control and will remain sufficiently independent of the activities audited to enable them to exercise objective professional judgement.

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<sup>3</sup> Veritau has adopted its own code of ethics which fulfil the requirements of the PSIAS.

- 6.2 Audit advice and recommendations will be made without prejudice to the rights of internal audit to review and make further recommendations on relevant policies, procedures, controls and operations at a later date.
- 6.3 The Head of Internal Audit will put in place measures to ensure that individual auditors remain independent of areas they are auditing for example by:
- rotation of audit staff
  - ensuring staff are not involved in auditing areas where they have recently been involved in operational management, or in providing consultancy and advice<sup>4</sup>
  - seeking external oversight of any audit of functional activities managed by the Head of Internal Audit through Veritau client management arrangements.

## 7 Accountability, reporting lines, and relationships

- 7.1 Internal audit services are provided under contract to the Council by Veritau North Yorkshire. The company is a separate legal entity. Staff undertaking internal audit work will be employed by Veritau North Yorkshire or another Veritau group company. Staff may also be seconded to the group from the Council. The ~~Executive Director~~[Chief Finance Officer](#) acts as client officer for the contract, and is responsible for overall monitoring of the service.
- 7.2 In its role in providing an independent assurance function, Veritau has direct access to members and senior managers and can report uncensored to them as considered necessary. Such reports may be made to the:
- Council, Cabinet, or any Committee (including the Audit [and Governance Committee/AS Board](#))
  - Chief Executive
  - ~~Executive Director~~[Chief Finance Officer](#) (s151 officer)
  - Monitoring Officer
  - other directors and [heads of service](#) ~~managers~~.
- 7.3 The ~~Executive Director~~[Chief Finance Officer](#) (as s151 officer) has a statutory responsibility for ensuring that the Council has an effective system of internal audit in place. In recognition of this, a protocol has been drawn up setting out the relationship between internal audit and the ~~Executive Director~~[Chief Finance Officer](#).

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<sup>4</sup> Auditors will not be used on internal audit engagements where they have had direct involvement in the area within the previous 12 months



7.4 The Head of Internal Audit will report independently to Audit [and Governance Committee/Access Selby Board](#)<sup>5</sup> on:

- proposed allocations of audit resources
- any significant risks and control issues identified through audit work
- his/her annual opinion on the Council's control environment.

7.5 The Head of Internal Audit will informally meet in private with members of the Audit [and Governance Committee/Access Selby Board](#), or the Committee/[Board](#) as a whole as required. Meetings may be requested by committee/[board](#) members or the Head of Internal Audit.

7.6 The Audit [and Governance Committee/Access Selby Board](#) will oversee (but not direct) the work of internal audit. This includes commenting on the scope of internal audit work and approving the annual audit plan. The Committee/[Board](#) will also protect and promote the independence and rights of internal audit to enable it to conduct its work and report on its findings as necessary<sup>6</sup>.

## **8 Fraud and consultancy services**

8.1 The primary role of internal audit is to provide assurance services to the Council. However, the service may also be required to undertake fraud investigation and other consultancy work to add value and help improve governance, risk management and control arrangements.

8.2 The prevention and detection of fraud and corruption is the responsibility of directors and service managers. However, all instances of suspected fraud and corruption should be notified to the Head of Internal Audit, who will decide on the course of action to be taken in consultation with relevant service managers and/or other advisors (for example human resources). Where appropriate, cases of suspected fraud or corruption will be investigated by Veritau.

8.3 Where appropriate, Veritau may carry out other consultancy related work, for example specific studies to assess the economy, efficiency, and effectiveness of elements of service provision. The scope of such work will be determined in conjunction with service managers. Such work will only be carried out where there are sufficient resources and skills within Veritau and where the work will not compromise the assurance role or the independence of internal audit. Details of all significant consultancy assignments completed in the year will be reported to the Audit [and Governance Committee/Access Selby Board](#).

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<sup>5</sup> The committee/board charged with overall responsibility for governance at the council.

<sup>6</sup> The relationship between internal audit and the Audit [and Governance Committee/Access Selby Board](#) is set out in more detail.

## **9 Resourcing**

- 9.1 As part of the audit planning process the Head of Internal Audit will review the resources available to internal audit, to ensure that they are sufficient to meet the requirements to provide an opinion on the Council's control environment. Where resources are judged to be insufficient, recommendations to address the shortfall will be made to the ~~Executive Director~~[Chief Finance Officer](#) and to the Audit [and Governance](#) Committee/~~Access Selby Board~~.

## **10 Rights of access**

- 10.1 To enable it to fulfil its responsibilities, the Council gives internal auditors employed by Veritau the authority to:
- enter all Council premises or land, at any reasonable time
  - have access to all data, records, documents, correspondence, or other information - in whatever form - relating to the activities of the Council
  - have access to any assets of the Council and to require any employee of the Council to produce any assets under their control
  - be able to require from any employee or member of the Council any information or explanation necessary for the purposes of audit.
- 10.2 Directors and service managers are responsible for ensuring that the rights of Veritau staff to access premises, records, and personnel are preserved, including where the Council's services are provided through partnership arrangements, contracts or other means.

## **11 Review**

- 11.1 This charter will be reviewed periodically by the Head of Internal Audit. Any recommendations for change will be made to the ~~Executive Director~~[Chief Finance Officer](#) and the Audit [and Governance](#) Committee/~~Access Selby Board~~, for approval.

## Relationship between the ~~Executive Director~~Chief Finance Officer (the s151 Officer) and internal audit

- 1 In recognition of the statutory duties of the Council's ~~Executive Director~~Chief Finance Officer (the ~~Director~~CFO) for internal audit, this protocol has been adopted to form the basis for a sound and effective working relationship between the ~~Director~~CFO and internal audit.
- (i) The Head of Internal Audit (HoIA) will seek to maintain a positive and effective working relationship with the ~~Director~~CFO.
  - (ii) Internal audit will review the effectiveness of the Council's systems of control, governance, and risk management and report its findings to the ~~Director~~CFO (in addition to the Audit and Governance Committee/~~Access Selby Board~~).
  - (iii) The ~~Director~~CFO will be asked to comment on those elements of internal audit's programme of work that relate to the discharge of his/her statutory duties. In devising the annual audit plan and in carrying out internal audit work, the HoIA will give full regard to the comments of the ~~Director~~CFO.
  - (iv) The HoIA will notify the ~~Director~~CFO of any matter that in the HoIA's professional judgement may have implications for the ~~Director~~CFO in discharging his/her s151 responsibilities.
  - (v) The ~~Director~~CFO will notify the HoIA of any concerns that he/she may have about control, governance, or suspected fraud and corruption and may require internal audit to undertake further investigation or review.
  - (vi) The HoIA will be responsible for ensuring that internal audit is provided in accordance with proper practice.
  - (vii) If the HoIA identifies any shortfall in resources which may jeopardise the ability to provide an opinion on the Council's control environment, then he/she will make representations to the ~~Director~~CFO, as well as to the Audit and Governance Committee/~~Access Selby Board~~.
  - (viii) The ~~Director~~CFO will protect and promote the independence and rights of internal audit to enable it to conduct its work effectively and to report as necessary.

## **Relationship between the Audit and Governance Committee/~~Access Selby Board~~ and internal audit**

- 1 The Audit and Governance Committee/~~Access Selby Board~~ play a key role in ensuring the Council maintains a robust internal audit service and it is therefore essential that there is an effective working relationship between the Committee/~~Board~~ and internal audit. This protocol sets out some of the key responsibilities of internal audit and the Committee/~~Board~~.
- 2 The Committee/~~Board~~ will seek to:
  - (i) raise awareness of key aspects of good governance across the organisation, including the role of internal audit and risk management
  - (ii) ensure that adequate resources are provided by the Council so as to ensure that internal audit can satisfactorily discharge its responsibilities
  - (iii) protect and promote the independence and rights of internal audit to conduct its work properly and to report on its findings as necessary.
- 3 Specific responsibilities in respect of internal audit include the following.
  - (i) Oversight of, and involvement in, decisions relating to how internal audit is provided.
  - (ii) Approval of the internal audit charter.
  - (iii) Consideration of the annual report and opinion of the Head of Internal Audit (HoIA) on the Council's control environment.
  - (iv) Consideration of other specific reports detailing the outcomes of internal audit work.
  - (v) Consideration of reports dealing with the performance of internal audit and the results of its quality assurance and improvement programme.
  - (vi) Consideration of reports on the implementation of actions agreed as a result of audit work and outstanding actions escalated to the Committee/~~Board~~ in accordance with the approved escalation policy.
  - (vii) Approval (but not direction) of the annual internal audit plan.
- 4 In relation to the Audit and Governance Committee/~~Access Selby Board~~, the HoIA will:
  - (i) attend its meetings and contribute to the agenda
  - (ii) ensure that overall internal audit objectives, workplans, and performance are communicated to, and understood by, the Committee/~~Board~~

- (iii) provide an annual summary of internal audit work, and an opinion on the Council's control environment, including details of unmitigated risks or other issues that need to be considered by the Committee/~~Board~~
- (iv) establish whether anything arising from the work of the Committee/~~Board~~ requires consideration of the need to change the audit plan or vice versa
- (v) highlight any shortfall in the resources available to internal audit and to make recommendations to address these to the Committee/~~Board~~
- (vi) report any significant risks or control issues identified through audit work which the HoIA feels necessary to specifically report to the Committee/~~Board~~
- (vii) participate in the Committee's/~~Board~~'s review of its own remit and effectiveness
- (viii) consult with the committee/~~board~~ on how external assessment of the internal audit service will be conducted (required once every five years).

5 The HoIA will informally meet in private with members of the Audit and Governance Committee/~~Access Selby Board~~, or the Committee/~~Board~~ as a whole as required. Meetings may be requested by committee members or the HoIA.

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**Public Session**

**Report Reference Number: A/16/12**

**Agenda Item No: 14**

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**To: Audit & Governance Committee**  
**Date: 28 September 2016**  
**Author: Phil Jeffrey, Audit Manager (Veritau)**  
**Lead Officer: Karen Iveson, Chief Finance Officer**

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**Title: Internal Audit Progress Report 2016/17**

**Summary:**

The purpose of the report is to provide an update on progress made in delivering the internal audit workplan for 2016/17, and to summarise the findings of recent internal audit work.

**Recommendations:**

**That Councillors consider the report.**

**Reasons for recommendation**

To support the work of the Committee in monitoring internal audit and scrutinising and monitoring control systems.

**1. Introduction and background**

- 1.1. The provision of Internal Audit is a statutory requirement (Accounts & Audit Regulations 2015).
- 1.2. The Audit Committee approved the internal audit plan for 2016/17 at its meeting held on the 13 April 2016. The purpose of this report is to inform Members of the progress made to date in delivering the 2016/17 internal audit plan and to summarise the outcomes of internal audit reviews.

**2. The Report**

- 2.1. Details of internal audit work completed in 2016/17 are included in the report attached at Appendix A.

2.2 Veritau carries out its work in accordance with the Public Sector Internal Audit Standards (PSIAS).

2.3 There is no direct linkage to any of the Council's Priorities, as internal audit is a support service, providing assurance on corporate governance arrangements, internal control and risk management to the Council's and Access Selby's managers in respect of their services, and specifically to the Council's S151 Officer on financial systems.

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

3.1. Legal Issues

3.1.1 There are no legal issues.

3.2. Financial Issues

3.2.1 There are no financial issues.

### **4. Conclusion**

4.1 There are currently seven 16/17 audits either in progress or planning work has commenced. Six reports have been finalised since the last report to this committee. It is anticipated that the 93% target will be exceeded by the end of April 2017 (the cut off point for 2016/17 audits).

### **5. Background Documents**

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**Appendices:** - Appendix A – Internal Audit Progress Report





## **Selby District Council**

### **Internal Audit Progress Report 2016-17**



**Audit Manager:** Phil Jeffrey  
**Deputy Head of Internal Audit:** Richard Smith  
**Head of Internal Audit:** Max Thomas  
**Date:** 28<sup>th</sup> September 2016

## Background

- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). The Head of Internal Audit is required to regularly report progress in the delivery of the internal audit plan to the Audit Committee and to identify any emerging issues which need to be brought to the attention of the Committee.
- 2 Members approved the Annual Internal Audit Plan 2016/17 at their meeting on the 13 April 2016. The total number of planned audit days for 2016/17 is 355. The performance target for Veritau is to deliver 93% of the agreed Audit Plan by the end of the year. This report summarises the progress made in delivering the agreed plan.

## Internal Audit Work Carried Out 2016/17

- 3 A summary of the audit work completed in the year to date is attached at **Annex A**.
- 4 Veritau officers are involved in a number of other areas relevant to corporate matters:
  - **Support to the Audit Committee;** this is mainly ongoing through our support and advice to Members. We also facilitate the attendance at Committee of managers to respond directly to Members' questions and concerns arising from audit reports and the actions that managers are taking to implement agreed actions.
  - **Contractor Assessment;** this work involves supporting the assurance process by using financial reports obtained from Experian (Credit Agency) in order to confirm the financial suitability of potential contractors.
  - **Risk Management;** Veritau facilitate the Council's risk management process and advise Access Selby on their processes.
  - **Systems Development;** Veritau attend development group meetings in order to ensure that where there are proposed changes to processes or new ways of delivering services, that the control implications are properly considered.
  - **Investigations;** Special investigations into specific sensitive issues.
- 5 An overall opinion is given for each of the specific systems under review.
- 6 The opinions used by Veritau are provided below:

**High Assurance** Overall, very good management of risk. An effective control environment appears to be in operation.

**Substantial Assurance** Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.

**Reasonable Assurance** Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.

**Limited Assurance** Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.

**No Assurance** Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

7 The following priorities are applied to individual actions agreed with management:

**Priority 1 (P1)** – A fundamental system weakness, which represents unacceptable risk to the system objectives and requires urgent attention by management.

**Priority 2 (P2)** – A significant system weakness, whose impact or frequency presents risk to the system objectives, which needs to be addressed by management.

**Priority 3 (P3)** – The system objectives are not exposed to significant risk, but the issue merits attention by management.

8 A total of 49 agreed actions from 2014/15 audits have been followed up with the responsible officers. 46 had been satisfactorily implemented. In a further 3 cases, the actions had not been implemented by the target date but a revised date was agreed. This is done where the delay in addressing an issue will not lead to unacceptable exposure to risk and where, for example, the delays are unavoidable (e.g. due to unexpected difficulties or where actions are dependent on new systems being implemented). These actions will be followed up after the revised target date. The remaining 4 actions agreed in 2014/15 audits have not yet been followed up either because the target dates have not yet passed or because follow up work is still in progress. A summary of this follow up work is included below:

Action status	Total No.	Action Priority		
		1	2	3
Actions now implemented	46	0	12	34
Revised date agreed	3	0	2	1
Follow up in progress	4	0	2	2
Not yet followed up	0	0	0	0
<b>Total agreed actions</b>	<b>53</b>	<b>0</b>	<b>16</b>	<b>37</b>

9 A total of 33 agreed actions from 2015/16 audits have been followed up with the responsible officer. 19 had been satisfactorily implemented. In a further 14 cases, the actions had not been implemented by the target date but a revised date was agreed and will be followed-up after the revised target date. The remaining 29 actions agreed in 2015/16 audits have not yet been followed up because the target dates have not yet passed or because follow up work is still in progress. A summary of this follow up work is included below:

Action status	Total No.	Action Priority		
		1	2	3
Actions now implemented	19	0	6	13
Revised date agreed	14	0	7	7
Follow up in progress	12	0	7	5
Not yet followed up	17	0	8	9
<b>Total agreed actions</b>	<b>62</b>	<b>0</b>	<b>28</b>	<b>34</b>

- 10 There are currently seven 2016/17 audits either in progress or planning work has commenced. Six reports have been finalised since the last report to this committee. It is anticipated that the 93% target will be exceeded by the end of April 2017 (the cut off point for 2016/17 audits).

**Annex A****2016/17 audit assignments status**

<b>Audit</b>	<b>Status</b>	<b>Audit Committee</b>
<b>Corporate Risk Register/Access Selby RR</b>		
Savings Delivery	Not started	
Organisational Development	Not started	
Income Generation	Not started	
Programme for Growth	Not started	
Partnership Arrangements	Not started	
CEF Governance	Planning underway	
<b>Financial Systems</b>		
Council Tax/NNDR	Not started	
Sundry Debtors	Fieldwork complete	
Benefits	Not started	
Benefits - Overpayments	In progress	
Council House Repairs	Not started	
Creditors	In progress	
General Ledger (budgetary control & reconciliations)	Not started	
Capital Accounting	In progress	
<b>Regularity / Operational Audits</b>		
Absence Management	Fieldwork complete	
Data Quality & Performance Management	Not started	
Development Management	Not started	
Housing Development	Not started	
<b>Technical / Project Audits</b>		
Better Together	Not started	
Business Transformation	Not started	
Contract Management	Not started	
ICT	Planning underway	
Information Security	Not started	
PCI DSS	Not started	
Project Management	Not started	
<b>Follow Ups:</b>	Updates provided to Audit Committee	

Audit	Status	Audit Committee

Summary of progress against key actions; audits previously reported to this committee

Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>1</sup>	Progress against key actions
Partnerships (2014/15)	Reasonable Assurance	<p><b>Strengths</b> The two partnerships that were reviewed were found to have adequate governance arrangements in place</p> <p><b>Weaknesses</b> Reviews are not regularly undertaken to confirm whether it is appropriate for a partnership mandate to be in place or whether the partnership was delivering the desired outcomes for the council.</p>	31 July 2015	<p>A reference to the review of partnering arrangements (at least every five years) will be included within the Partnership Toolkit – with the extent and frequency of that review to be determined by reference to the nature/scale/risk associated with each individual partnership.</p> <p>The partnership toolkit will be attached to the council's shared filing area to ensure it can be accessed by council officers.</p>	<p>Due 31 Oct 2015 The toolkit has been re-drafted and the input of the Solicitor to the Council obtained. It was discussed at an ELT in June with a view to publishing.</p> <p>A revised date has not yet been agreed.</p>
PCI DSS	No Opinion	<b>Strengths</b>	5 August 2015	This was a memo report. A	Due 31 Oct 2015

<sup>1</sup> Priority 2 or above

Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>1</sup>	Progress against key actions
Compliance (2014/15)	Given.	<p>Initial steps have been taken towards achieving compliance, such as the implementation of the Northgate PARIS web-based system in particular.</p> <p><b>Weaknesses</b> The council has weaknesses to address including a lack of documented responsibility for compliance, a definition of the cardholder data environment, a lack of policies and procedures and compliance assurance from third parties along with non-completion of annual self-assessment</p>		full audit was planned; however weaknesses were identified at an early stage. Advice has been provided and a full audit is now planned for 2016/17 once the council has had an opportunity to implement the recommendations.	<p>An independent consultant carried out a review of PCI DSS compliance in May 2016. The service now plans to prioritise changes to the network to de-scope the system and to introduce relevant policies and procedures once the changes are in place. Revised date agreed of 30 Sep 16.</p> <p>PCI DSS has been included in the audit plan for 2016/17.</p>



Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>1</sup>	Progress against key actions
		questionnaires.			
Corporate Complaints	Reasonable Assurance	<p><b>Strengths</b> The system in place accurately reflects the guidance provided by the ombudsmen.</p> <p>Systems in place outline responsibilities: ensuring complaints are handled by independent staff with relevant authority, with a timely initial response and resolution.</p> <p>The process is readily accessible to customers.</p> <p><b>Weaknesses</b> Policy/ procedure notes do not reflect working practices / are out of</p>	12 November 2015	<p>Policy &amp; procedure notes will be updated to reflect working practices. A review schedule will be established to keep P&amp;P notes up to date.</p> <p>During policy review, stage 1 and 2 acknowledgement and response times will be clarified, particularly “first working day”.</p>	<p>Due 30 June 2016</p> <p>The review is being led by the Policy team but has been delayed in line with organisational review.</p> <p>A Working Group has been set up to support the review which will hopefully be completed by Dec 16.</p> <p>Revised date of 31 Dec 16.</p>

Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>1</sup>	Progress against key actions
		<p>date.</p> <p>The complaints process is not sufficiently publicised.</p> <p>Deadlines for the acknowledgement of, and response to, complaints are not always accurate, or met.</p> <p>Recording of performance data could be improved.</p>			
Access Controls: Windows Network and Finance System (2014/15)	Reasonable Assurance	<p><b>Strengths</b></p> <p>The introduction of a new user request form in November 2014 was a positive step towards better control of</p>	3 December 2015	Network permissions will be reviewed and revalidated at the point of changing IT provision.	Due 1 Feb 2016 A pilot will be undertaken in Business Support to establish the resource required

Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>1</sup>	Progress against key actions
		<p>network user accounts.</p> <p>We also found that network and COA password settings are in practice good.</p> <p><b>Weaknesses</b> There is still an informal process for COA user management.</p> <p>There is a lack of a formal policy to govern the council's required standards for passwords, and there are issues with some aspects of user account management, particularly regarding changes to network</p>		<p>We will arrange for a list of non-SDC users to be cross-checked to staff records. Any additional non-SDC users to be queried and added to list or removed as necessary.</p> <p>User permissions will be reviewed when the council changes to a new system in conjunction with its prospective partner. How to manage user permissions will also be considered at this point.</p>	<p>to complete a full review of access permissions. Revised date of 30 Sep 2016 agreed.</p> <p>Due 1 Jan 2016 Not yet completed – revised date of 31 Aug agreed.</p> <p>Due 1 Feb 2016 The council has not yet made the decision as to whether or not it will implement a new main accounting system</p>

Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>1</sup>	Progress against key actions
		permissions and control of users who have access to SDC networks but are not directly employed by the council itself.		The council hopes to have a better understanding of how this will develop in the timescale indicated.	and is currently reviewing the potential to use a scaled-down version of the Oracle system as part of the Better Together Collaboration with NYCC – revised date agreed of 30 Sep 2016.
Information Security Checks	Reasonable Assurance	<p><b>Strengths</b></p> <p>Overall, the council is reasonably well protected against accidental disclosure of information. The Civic Centre office areas are not accessible without a staff security pass and within the offices</p>	16 December 2015	An action plan will be produced to address the information security weaknesses identified in the report. This will include reminders to staff on maintaining information security and arrangements to ensure sufficient secure storage is available where	Due 31 Jan 2016 Implementation has been delayed due to the organisational review – revised date of 31 Oct 2016 agreed.

Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>1</sup>	Progress against key actions
		<p>most information is stored in cupboards.</p> <p><b>Weaknesses</b>  Lockable storage is being left unlocked throughout the offices, the clear desk policy is not being followed by all staff and a significant number of council assets are unsecured</p> <p>In addition, some service areas that hold sensitive personal information should have security measures that protect this information from all staff that do not need access to it; this</p>		<p>needed within the Civic Centre.</p>	

Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>1</sup>	Progress against key actions
		includes other council staff, cleaning staff and partners that share the office space.			
Counter Fraud Arrangements	Reasonable Assurance	<p><b>Strengths</b> Overall, it was found that the council does have systems in place that do, in part at least, meet the principles within the Cipfa Counter Fraud Code of Practice</p> <p><b>Weaknesses</b> Following the assessment against each of the 5 cipfa principles it is felt that the council could take further action to increase the degree to which it meets best practice for adhering to</p>	22 December 2015	<p>The Anti-Fraud, Theft and Corruption Policy and Strategy will be reviewed, revised and re-launched. This will be done alongside other actions and communications to raise awareness of fraud risks and to promote a fraud aware culture. The council will decide whether a councillor will be explicitly given portfolio responsibility for fraud.</p> <p>The re-launched counter fraud strategy will set out arrangements for annual reporting and this report will be written as a report on</p>	<p>Due 31 Aug 2016 The policies are now being reviewed by Veritau with a view to consulting with Executive and bringing the reports to the Audit Committee in January 2017.</p>

Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>1</sup>	Progress against key actions
		these principles.		<p>delivery against the strategy in the preceding year and include details of action to be taken in the year ahead and assessment of resource availability to deliver the strategy.</p> <p>Plans will be developed to raise awareness of fraud risks, the council's revised policy and strategy and whistleblowing procedures. This could include specific training sessions, e-learning (e.g. whistleblowing), corporate communications (posters, team brief email, OMG/BMG/Directors meeting agenda items) as well as the existing annual reporting mechanisms.</p>	<p>Due 31 Aug 2016 This action is currently being followed up with the responsible officer.</p>

Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>1</sup>	Progress against key actions
				<p>Management job descriptions will be reviewed for areas where fraud risks have been identified and these job descriptions will explicitly include counter fraud responsibilities.</p> <p>A process of reviewing risk registers has recently been started. This will include treating fraud and corruption risks as a corporate risk, which will be assessed by all services (as happens with areas like health and safety risk). It will also ensure there are mechanisms to escalate service risks to the corporate risk register.</p>	<p>Due 31 Aug 2016 This action is currently being followed up with the responsible officer.</p>
Recruitment	Reasonable Assurance	<b>Strengths</b> The recruitment	5 February 2016	The council's Recruitment and Selection Manual is	Revised date of 31 Aug agreed.



Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>1</sup>	Progress against key actions
		<p>process was found to be generally working well. Employment references and manager approval had been routinely obtained from the most suitable referees, often on the council's well designed reference request pro forma, and were timely.</p> <p><b>Weaknesses</b> It was not possible to confirm that all pre-employment clearances had been obtained. Additionally, where clearances had been obtained, these were not always timely or certified where appropriate.</p> <p>The Recruitment and</p>		<p>already in the process of being updated. Once this is finalised, it will be circulated via email to all employees involved in recruitment. The email will also draw attention to important changes to the manual and remind officers that HR will not allow successful candidates to commence employment with the council until all necessary clearances have been obtained. [this action applies to two findings]</p> <p>In the body of the email to</p>	<p>Arrangements for HR are currently being reviewed in line with the Better Together project so the team will be looking at all processes and policies. This will likely result in a further revised Recruitment and Selection manual. HR will advise if this is the case once the fact-finding process has been completed.</p> <p>Revised date of 31 Aug agreed.</p>

Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>1</sup>	Progress against key actions
		<p>Selection Manual was reviewed and found to be outdated both in terms of current practices and the wider legislative context surrounding recruitment.</p> <p>Authorisation to Recruit forms are not providing the control over the recruitment process as intended, with some being completed only after recruitment has started.</p>		<p>which the revised Recruitment and Selection Manual will be attached, text will be included to remind officers of the importance of completing an Authorisation to Recruit form before recruitment begins.</p>	
Payroll	Reasonable	<b>Strengths</b>	29 April 2016	An ongoing honorarium	Due 30 Sep 16

Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>1</sup>	Progress against key actions
	Assurance	<p>Payments are generally made in accordance with employees' contracts of service and agreed rates of pay.</p> <p><b>Weaknesses</b> The audit highlighted that the payroll audit files have not been signed off by an appropriate officer since March 2015.</p>		<p>with limited paperwork to support it will be reviewed following the restructure when lead officers and their responsibilities are agreed.</p> <p>Clarity is required as to who the responsible officer is who has the authority to authorise the monthly payroll payment, and who has the delegated authority within ESS to make an approximate payment of £380,000 on behalf of SDC. The necessary amendments and inclusions will be made to the appropriate documents.</p> <p>The SLA agreement [with NYCC] is in the process of being reviewed; points raised in relation to it will be</p>	<p>Due 31 Aug 16</p> <p>Due 31 Aug 16</p>

Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>1</sup>	Progress against key actions
				taken forward with NYCC.	
Members' Allowances	Substantial Assurance	<p><b>Strengths</b> The checking of claims for mileage and eligibility was of a high standard, with no issues identified. There is a high degree of transparency for members' allowances. All payments match the transparency report that is available to the public via the website.</p> <p><b>Weaknesses</b> The system for paying allowances to the Chair and Vice Chair of the council lacks formality and clarity regarding what elements of the budget should be used for the council to pay</p>	16 May 2016	<p>This issue of payments to the Chair will be considered for inclusion in the Terms of Reference of the upcoming Independent Remuneration Panel (IRP) review of members allowances (date to be confirmed).</p> <p>If it is not included in the IRP review, a separate review will take place and a formal procedure drawn up that specifies the terms of the Chairman of the Council's allowance/budget. This will specify the value to be paid as an allowance and the amount to be used as a budget for activities.</p>	<p>Completed - An IRP panel has now been formed and the first meeting of the Panel is due to take place next Thursday 11 August 2016.</p> <p>The Panel will review the entire Members' Allowances Scheme, including the specific areas identified by the audit.</p>

Audit	Opinion	Comments	Date Issued	Key Agreed Actions <sup>1</sup>	Progress against key actions
		<p>directly for the costs of organising and running events and what elements are intended to be paid to the Chair and Vice Chair as an allowance or to reimburse costs incurred by them personally.</p>			

Summary of audits completed to 15 September 2016; previously not reported

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions <sup>2</sup>	Progress against key actions
				1	2	3		
Savings Delivery	Reasonable Assurance	<p><b>Weaknesses</b> Four of five savings reviewed were either delayed or not going to be achieved in full in 2015/16 mainly due to the fact that action plans were not in place or were not being followed.</p> <p>No contingency plans were found to be in place to achieve savings elsewhere in service area</p>	28 June 2016	0	2	0	<p>Ownership of savings is crucial to delivery and monthly reports will be discussed at ELT to ensure that savings are owned, supported by appropriate action plans, actively managed, and that risks are fully understood and mitigating actions undertaken to minimise risk of non-delivery.</p> <p>A fundamental review of the savings plan is being undertaken in advance of the next budget round. As has been done in the past – a level of headroom will be built into the plan to provide some risk mitigation. As is the case for previous plans,</p>	<p>Due 31 July 2016 This action is currently being followed up with the responsible officer.</p> <p>Due 31 July 2016 This action is currently being followed up with the responsible officer.</p>

<sup>2</sup> Priority 2 or above

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions <sup>2</sup>	Progress against key actions
				1	2	3		
		budgets.					<p>proposals will be formulated through engagement with the Leadership Team and Heads of Service and savings will be owned by a senior responsible officer. Each Red/Amber savings proposal will be supported by a project brief with key delivery milestones and risks and progress for each saving reported through ELT as part of the Council's wider performance management arrangements.</p> <p>Where savings prove to be unachievable, alternative proposals will be brought forward unless there is a clear and approved business case not to do so. In addition, opportunities will be added to the plan as they arise in</p>	

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions <sup>2</sup>	Progress against key actions
				1	2	3		
							order to achieve continual headroom	
Customer Engagement	Substantial Assurance	<p><b>Strengths</b>  Project budget and risk register are monitored on an on-going basis and objectives and performance indicators appear realistic and appropriate. Necessary consideration has been given to the resources required in order to increase uptake of digital communication and transactional services. The needs assessment</p>	22 June 2016	0	0	2		



Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions <sup>2</sup>	Progress against key actions
				1	2	3		
		<p>was found to be comprehensive and ambitious, with clear links between findings and Corporate Strategy priorities.</p> <p><b>Weaknesses</b>            At this stage there is no feedback or follow up process to ensure that services are using the assessment as a commissioning tool.            Customer service surveys distributed by service areas</p>						

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions <sup>2</sup>	Progress against key actions
				1	2	3		
		were not used to inform the needs assessment. The telephone survey conducted was based on already identified priorities which did not allow for other concerns or priorities to be raised.						

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions <sup>2</sup>	Progress against key actions
				1	2	3		
ICT Server Room	Reasonable Assurance	<p><b>Strengths</b> Physical and environmental security arrangements for the Civic Centre server room are generally good. All servers are housed in locked cabinets, and the room is spacious, and has dual power supplies.</p> <p><b>Weaknesses</b> Measures to detect and control some environmental hazards are not in place or have not been tested;  The back-up</p>	3 June 2016	0	3	2	<p>Fire suppression system and air-conditioning testing record information to be requested from NHS Facilities Management and retained on file. Review of cost / benefit with regard to environmental threat to be undertaken.</p> <p>To undertake a review of the current system and identify management ownership and implement appropriate system backup, password improvements and rigorous access control of passes. This review will also address other issues addressed by the audit, including access control and standards for use of the server room. [this action covers two findings]</p>	<p>Due 31 August 2016</p> <p>Due 31 August 2016</p>

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions <sup>2</sup>	Progress against key actions
				1	2	3		
		<p>generator and air conditioning units are the responsibility of the NHS. ICT does not receive any information to confirm that they are being appropriately tested and maintained.</p> <p>Overall responsibility for the access control system, which holds personal data, has not been assigned.</p> <p>Whilst access to the server room is in theory restricted, it is not monitored</p>						

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions <sup>2</sup>	Progress against key actions
				1	2	3		
		and access controls can be bypassed.						

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions <sup>2</sup>	Progress against key actions
				1	2	3		
Programme for Growth	Reasonable Assurance	<p><b>Strengths</b> A project brief is produced at the outset which requires the project managers to complete a business case for the project. This brief is very detailed and requires the project manager to complete all details relevant for the project such as objectives, timescale, cost and risks to the project.</p> <p><b>Weaknesses</b> Due to the complexity or the re-active</p>	11 August 2016	0	1	2	Monitoring report format and content will be reviewed and where possible variations against budgets will be highlighted in the reports from 2016/17 but formal carry forwards will continue to be done as part of the year-end procedures.	Due 30 Sep 2016

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions <sup>2</sup>	Progress against key actions
				1	2	3		
		nature of the projects it was not always possible to accurately profile when expenditure will occur. This has meant that variations to the projects are not being formally declared even when it is known with reasonable certainty that money is being re-profiled into the following financial years due to delays in the project.						

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions <sup>2</sup>	Progress against key actions
				1	2	3		
ICT – Disaster Recovery	Limited Assurance	<p><b>Strengths</b> The council had previously put good practical disaster recovery arrangements in place with Craven District Council. However these are now transitional and both councils are seeking other partners for replication.</p> <p><b>Weaknesses</b> The council's new service level agreement (SLA) with North Yorkshire County Council (NYCC) does not yet include the provision of DR services and a number of issues</p>	17 <sup>th</sup> August 2016	0	7	0	NYCC will develop a new ICT Disaster Recovery Plan based on the NYCC Disaster Recovery plan, with significant input from SDC. The plan will be formally approved by SDC senior management.	Due 30 Nov 16
							The new ICT Disaster Recovery Plan will include responsibilities, invocation procedures and responsibilities for actions etc. SDC and NYCC will identify officers for each role as appropriate.	Due 30 Nov 16
							The new ICT Disaster Recovery Plan will include provision for a number of system restoration tests over the period of the agreement. SDC will determine and	Due 31 Dec 16



Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions <sup>2</sup>	Progress against key actions
				1	2	3		
		<p>have been identified.</p> <p>These include a lack of formal plans, agreements and responsibilities, very limited testing of arrangements and non-consideration of dependencies on staff and third parties.</p>					<p>document the degree of testing of wider contingency arrangements which it deems sufficient, such as replacement premises, equipment etc.</p> <p>The new ICT Disaster Recovery agreement will provide a framework for prioritising system restoration agreed with the business.</p> <p>NYCC will carry out a Business Impact Analysis (BIA) in conjunction with SDC, to categorise and document the order of restoration.</p> <p>The new ICT Disaster Recovery agreement will include a programme of backup tests to be put in place. Current arrangements of data replication mitigate some</p>	<p>Due 30 Nov 16</p> <p>Due 28 Feb 17</p>

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions <sup>2</sup>	Progress against key actions
				1	2	3		
							<p>of the risk as backup tapes would only be required if both Selby and Craven experience a disaster at the same time.</p> <p>Another member of staff has been trained for the current arrangement. Once the DR moves to the NYCC infrastructure it will come under the NYCC processes which are centrally managed.</p> <p>The tapes which would possibly be required in a DR situation have been moved from the Vivars site to County Hall. The replicated copy of data is up to date and would be used to restore.</p> <p>Tapes are currently being reviewed and those which are no longer required will be destroyed.</p> <p>SDC will investigate how Anite can be replicated.</p>	

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions <sup>2</sup>	Progress against key actions
				1	2	3		
							SDC will investigate if tape encryption can be enabled.	Due 31 Aug 16
							The current replication arrangement will be replaced by a new arrangement with NYCC covered by a formal agreement in relation to DR provision. SDC will confirm arrangements for restoring hosted systems in a DR situation.	Due 31 Dec 16

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions <sup>2</sup>	Progress against key actions
				1	2	3		
General Ledger	Reasonable Assurance	<b>Strengths</b> Overall, adequate controls were found to be in place for the management of the general ledger. In particular, processes for the authorisation and uploading of journals were robust, with sufficient supporting documentation being held or available and posting permissions suitably restricted. Authorisation for all virements	17 <sup>th</sup> August 2016	0	3	1	<p>Following the implementation of the Collaborative Planning upgrade in October, Finance will roll out a programme of training to budget holders. This training programme will address how to use the new system and will also provide more fundamental guidance on the budget management process.</p> <p>Finance will ensure that system reconciliations are discussed during team meetings at least once a month. The reconciliation monitoring spreadsheet will be taken to these meetings so that any issues with timeliness can be identified and addressed.</p> <p>Business Support will</p>	<p>Due 30 Dec 16</p> <p>Due 31 Aug 16</p> <p>Due 31 Aug 16</p>

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions <sup>2</sup>	Progress against key actions
				1	2	3		
		<p>tested was able to be confirmed and these had been made in accordance with the council's Financial Procedure Rules.</p> <p><b>Weaknesses</b>            With regards to budget monitoring, there appears to have been little or no improvement since the previous audit. The majority of significant variances do not have accompanying commentary and this is</p>					<p>ensure that adequate resource is put in place within the team to complete the reconciliations on a monthly basis.</p>	

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions <sup>2</sup>	Progress against key actions
				1	2	3		
		further compounded by the low response rate to monthly budget returns.						



## Public Session

Report Reference Number: A/16/13

Agenda Item No: 15

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**To:** Audit Committee  
**Date:** 28 September 2016  
**Author:** Phil Jeffrey, Audit Manager (Veritau)  
**Lead Officer:** Karen Iveson, Chief Finance Officer

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**Title: Review of the Corporate Risk Register 2016-17**

### Summary:

The report updates Councillors on movements within the Corporate Risk Register (**Appendix A**) for the Council, which was last reported to this committee in January 2016.

### Recommendation:

**That Councillors consider the Corporate Risk Register and endorse the actions of officers in furthering the progress of risk management.**

### Reasons for recommendation

The Audit and Governance Committee has responsibility for overseeing the implementation and management of risks that the Council, as a whole, faces.

#### 1. Introduction and background

1.1 This report updates Councillors on the actions taken by the Council to manage the corporate risks it faces.

#### 2. The Report

2.1 Risks are recorded and reported through the Covalent system. Appendix A shows details of current corporate risks included in the system. It includes the following information:

- ◇ Code and title of the risk.
- ◇ Individual risk code.
- ◇ Original risk rating.
- ◇ Consequence of the risk identified.

- ◇ Current risk rating – identifies the level at which the risk has currently been assessed, based on the likelihood and impact.
- ◇ Target Risk rating – identifies the risk level we are working towards.
- ◇ Risk owner – identifies the officer responsible for monitoring the risk.
- ◇ Controls and Mitigating Actions in place – identifies the required management action/ controls which have been put in place to manage the risk. In line with the Risk Management Strategy only risks with a score of 12 or over require a formal action plan.
- ◇ Latest update – identifies the most recent update on managing the risk. Highlighting any significant changes.

2.2 The responsibility for reviewing and updating the risk register lies with council officers. Whilst Veritau facilitates the risk management process it retains its independence and objectivity as it is not part of the risk management process.

2.3 The risk register has been revised over the summer by the new Extended Leadership Team. The previous Core and Access Selby registers have been replaced with a new Corporate Risk Register.

2.4 The Council's risk register currently has 6 risks with a score of 12 or more on its risk register. There are controls or mitigating actions in place to manage these risks, which are and need to be, closely monitored on an ongoing basis.

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

#### **3.1 Legal Issues**

3.1.1 There are no legal implications.

#### **3.2 Financial Issues**

3.2.1 There are no financial implications.

### **4. Conclusion**

4.1 The risks on the register continue to be closely monitored and action plans have been developed or are in the process of being developed, for all risks requiring active management.

### **5. Background Documents**

Risk Management Strategy.



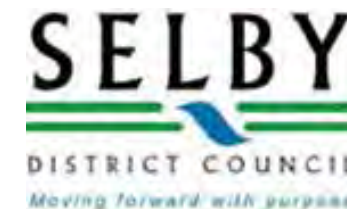
**Contact Officer:**

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Audit Manager  
Veritau  
Phil.jeffrey@veritau.co.uk

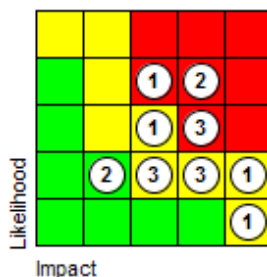
**Appendices:**

Appendix A – Corporate Risk Register








# Selby District Council Corporate Risk Register 2016 – 2017 Overview



Risk Status	
	High
	Medium
	Low

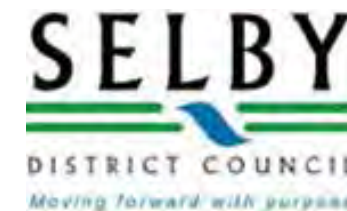


Status	Code	Current Risk Score	Title
	1617CRR_003	16	Financial Risk
	1617CRR_004	16	Organisational Capacity
	1617CRR_001	12	Governance
	1617CRR_008	12	Economy
	1617CRR_014	12	Technology
	1617CRR_017	12	Strategic Partnerships
	1617CRR_002	10	Health and Safety
	1617CRR_005	9	Performance
	1617CRR_006	8	Managing Customer Expectations
	1617CRR_007	8	Fraud & Corruption

Status	Code	Current Risk Score	Title
	1617CRR_010	8	Partnership Outcomes
	1617CRR_009	6	Business Continuity
	1617CRR_013	6	Information Governance/Data Protection
	1617CRR_015	6	Assets
	1617CRR_016	5	Failure to adequately respond to Civil Emergencies
	1617CRR_011	4	Communications
	1617CRR_012	4	Policy Change

# Selby District Council Corporate Risk Register 2016 - 2017

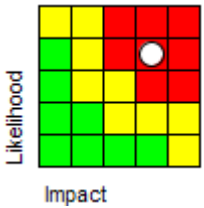
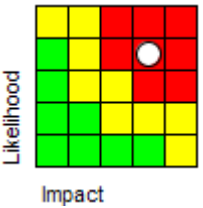
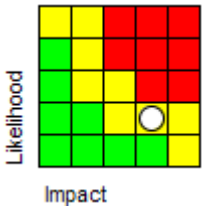
September 2016



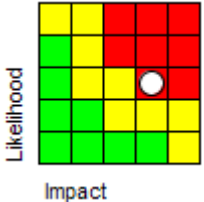
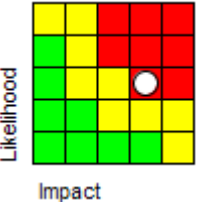
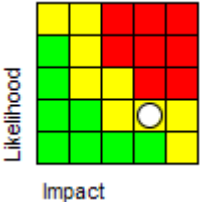
**Risk Score 16**  
**Risk Code & Title 1617CRR\_003 Financial Risk**

Risk Description	Original Rating	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	September 2016 Update
<p><b>The Council's financial position is not sustainable.</b></p>		<p>The Council is unable to deliver its corporate plan.</p> <p>The Council is unable to meet its financial commitments (long/medium/short term).</p> <p>Unplanned service cuts.</p>			<p>Karen Iveson</p>	<p>Long term financial strategies (GF &amp; HRA) setting out high level resources and commitments.</p> <p>3 year budget underpinned by reasonable assumptions (inflation, interest rates etc).</p> <p>Effective in year budget management arrangements in place.</p> <p>Savings plan approved with supporting delivery plans for each saving.</p> <p>Programme for Growth resourced with supporting business cases and action plans. Investment decisions supported by robust whole life (at least 5 years) business cases.</p>	<p>A refreshed MTFS to be considered by Council on 20 September mid-case shows £1.7m savings required – models assumptions on core funding streams – consultation on 100% business rates retention closes on 26 September.</p> <p>Programme for Growth under review and proposals for a new programme to be considered as part of 2017/18 budget process.</p> <p>Savings plan (including income generation) included in MTFS – refresh underway and to be completed as part of 2017/18 budget process.</p>

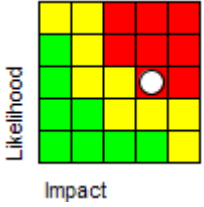
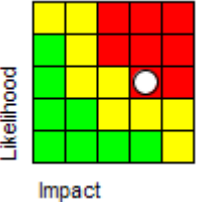
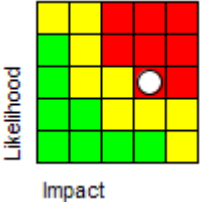
**Risk Score 16**  
**Risk Code & Title 1617CRR\_004 Organisational Capacity**

Risk Description	Original Rating	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	September 2016 Update
<p><b>Lack of organisational capacity and resilience to deliver Corporate Plan objectives.</b></p>		<p>Detrimental impact on performance and delivery of Corporate objectives.</p> <p>Missed opportunities.</p> <p>Detrimental impact on the reputation of the Council.</p> <p>Poor staff morale.</p> <p>Detrimental impact on retention and recruitment.</p>			<p>Stuart Robinson</p>	<p>Organisational review resulting in the right people in the right posts doing the right things, doing them well and funded on a sustainable footing.</p> <p>Work with partners to lever capacity and expertise.</p> <p>Utilise Programme for Growth to secure short/medium term capacity to deliver Council priorities.</p> <p>Organisational Development Strategy in place and aligned to Council priorities.</p> <p>Organisational Development work programme being delivered.</p>	<p>Senior management capacity strengthened, new top tier of managers in place as part of phase 1 of the organisational review.</p> <p>Need to progress phase 2 of the organisational review to address identified organisational and capacity issues. Phase 2 proposals scheduled for formal consultation late September/early October.</p> <p>Organisational Development Strategy update on hold – to revisit following Investors In People review in autumn.</p> <p>Learning &amp; Development activity is progressing – programme of activity being developed. However, a sense that appraisal activity seems to have stalled – pending outcome of Organisational Restructure.</p> <p>Consultant commissioned to redesign appraisal documentation to support short term reinvigoration of appraisal activity.</p>

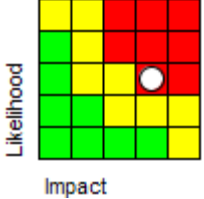
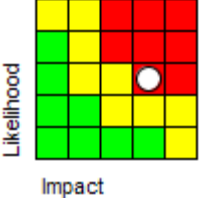
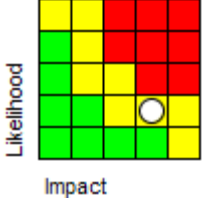
**Risk Score 12**  
**Risk Code & Title 1617CRR\_001 Governance**

Risk Description	Original Rating	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	September 2016 Update
<p><b>The Council's governance and transparency of decision making is not effective.</b></p>		<p>Councillors and managers may make decisions outside their accountability.</p> <p>The Council will be vulnerable to legal challenges and ombudsman complaints with attendant costs, consequences and reputational damage.</p> <p>Budgets may be overspent and outcomes may not improve.</p>			<p>Gillian Marshall</p>	<p>Constitution reviewed and updated in 2015 including rules on decision making, access to information rules, contract procedure rules and financial procedure rules.</p>	<p>A full review of the financial procedure rules will take place by the end of 16/17.</p> <p>Changes to the senior leadership team will require a programme of briefings to ensure the controls are understood and operating correctly.</p> <p>This programme will commence in October 2016 and will also be offered to existing staff as a refresher.</p>

**Risk Score 12**  
**Risk Code & Title 1617CRR\_008 Economy**


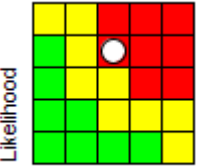
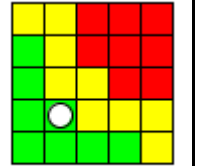
Risk Description	Original Rating	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	September 2016 Update
<p><b>Poor net economic growth.</b></p>	 <p>Likelihood</p> <p>Impact</p>	<p>Potential negative impact on income.</p> <p>Increased demand for services.</p> <p>Increased demand for interventions to stimulate economic growth.</p>	 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	<p>James Cokeham</p>	<p>Engagement with LEPs to influence economic growth programmes.</p> <p>Engagement with key businesses to understand future plans.</p> <p>Engagement with key partners to influence investment programmes and decisions.</p>	<p>The 'Selby District Economic Development Strategy 2016-20' is currently being consulted upon with partners, developers, investors and local businesses. This document will provide the blueprint for sustainable economic growth throughout the District.</p> <p>In order to deliver the Strategy, it will be necessary to invest in economic development resource and expertise, and this work is being brought forward through the Programme for Growth.</p> <p>Strategic and practical engagement has been undertaken with both of Selby District's constituent LEPs to ensure linkages and benefits are understood, and future investment programmes are maximised.</p>

**Risk Score 12**  
**Risk Code & Title 1617CRR\_014 Technology**


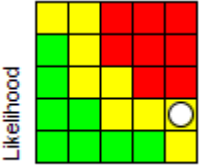

Risk Description	Original Rating	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	September 2016 Update
<p><b>ICT not fit for purpose.</b></p>		<p>Missed opportunities for driving the business forward.</p> <p>Missed opportunities for efficiencies and innovation.</p> <p>Value from investment not maximised.</p>			<p>Stuart Robinson</p>	<p>ICT Strategy is fit for purpose (including move to self-service) - allowing appropriate investment and prioritisation of business needs.</p> <p>Align IT investment to business needs and requirements.</p> <p>Clear business cases and benefit realisation reports drive ICT investment.</p> <p>Seizing opportunities for partnership working which will deliver on shared ICT resources.</p> <p>ICT functionality maximised and organisational skills developed.</p>	<p>Additional resilience provided as part of Better Together arrangements. However, need to ensure SDC operates effectively as 'intelligent client'.</p> <p>ICT Strategy requires review and update – this will be addressed in the next three months.</p> <p>ICT capacity/capability gap to be addressed via organisational restructure.</p> <p>Plans in place to respond to identified risks around PSN compliance and resilience of disaster recovery/server room.</p>



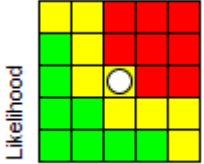
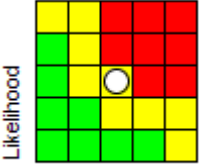

**Risk Score 12**  
**Risk Code & Title 1617CRR\_017 Strategic Partnerships**

Risk Description	Original Rating	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	September 2016 Update
<p><b>Inability to influence strategic partnerships (e.g. health/ LEP/NYCC etc).</b></p>	 <p>Likelihood</p> <p>Impact</p>	<p>Opportunities to lever investment/capacity missed.</p> <p>Value from partnerships not achieved.</p> <p>Selby's profile not raised.</p> <p>Selby's asks not reflected in a devolution deal.</p> <p>Corporate Plan objectives not delivered.</p>	 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	<p>David Caulfield</p>	<p>Targeted work with key developers and investors.</p> <p>Close working with the LEPs to identify potential investment opportunities.</p> <p>Close involvement in shaping the asks within any Devolution deal.</p> <p>Re-structure to increase capacity in economic development, regeneration and partnerships.</p>	<p>New Corporate structure in place to deliver on Council ambitions includes Head of Service covering Customer, Community &amp; Partnerships.</p> <p>Programme for Growth includes projects to develop strategic partnerships.</p>


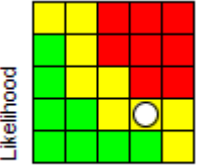
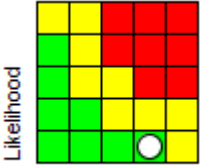
**Risk Score 10**  
**Risk Code & Title 1617CRR\_002 Health and Safety**

Risk Description	Original Rating	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	September 2016 Update
<p><b>Failure to comply with Health and Safety legislation.</b></p>	 <p>Likelihood</p> <p>Impact</p>	<p>Actual or potential injury or loss of life.</p> <p>Environmental degradation.</p> <p>Financial loss / impact on value of assets.</p> <p>Reputational damage.</p>	 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	<p>June Rothwell</p>	<p>Health and Safety Policy and Plan in place led by SDC experts with NYCC providing expertise to provide advice to Managers and ensure Health and Safety procedures are rigorous.</p> <p>Health and safety due diligence assessment on service areas and contractors.</p> <p>Public liability and property insurance.</p> <p>Risk management system in place to manage equipment, contractors, property and environmental and health and safety risks.</p> <p>Health and safety performance monitoring of Delivery Partners to ensure HS&amp;E compliance.</p> <p>Risk assessing, and then managing accordingly, every property and asset.</p> <p>Statutory checks to ensure regulatory HS&amp;E Compliance.</p> <p>Event Safety Plan for all events managed by external consultants.</p>	<p>Employees consulted about health and safety issues through their service area meetings/groups and health and safety forum – In place.</p> <p>Annual report of the work undertaken and planned work programme for the next 12 months – In place.</p> <p>Fire Safety Arrangements reviewed – In place.</p> <p>Arrangements for reporting accidents and work based ill health – In progress.</p>

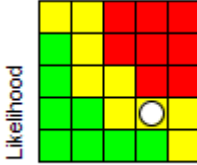
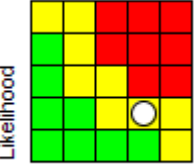
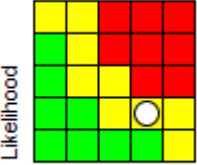
**Risk Score 9  
Risk Code & Title 1617CRR\_005 Performance**

Risk Description	Original Rating	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	September 2016 Update
<p><b>Ineffective performance management.</b></p>	 <p>Likelihood</p> <p>Impact</p>	<p>Council priorities are not delivered.</p>	 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	<p>Stuart Robinson</p>	<p>Performance management framework in place, embedded and well understood, including:</p> <ul style="list-style-type: none"> <li>. Corporate plan/agreed corporate priorities</li> <li>. KPIs</li> <li>. Performance reporting</li> <li>. Performance system</li> <li>. Business planning</li> <li>. Appraisals</li> </ul> <p>Sufficient resources to support effective implementation</p>	<p>Priority corporate actions and KPIs agreed.</p> <p>Revised corporate performance reporting in place.</p> <p>Service planning and service level performance reporting needs developing.</p> <p>Approach to appraisals needs refreshing and re-launching.</p> <p>Use of Covalent needs revisiting.</p> <p>Restructure proposals will address capacity issues to support implementation.</p>

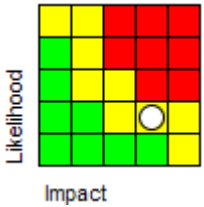
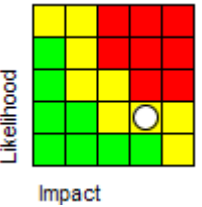
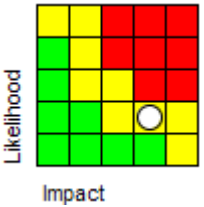
**Risk Score 8**  
**Risk Code & Title 1617CRR\_006 Managing Customer Expectations**

Risk Description	Original Rating	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	September 2016 Update
<b>Inability to meet customers demand for services.</b>	 <p>Likelihood</p> <p>Impact</p>	Poor customer satisfaction. Quality and timeliness of service suffers. Sustainability of service. Increased customer complaints. Impact on elected Members.	 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	Keith Cadman	Increase community delivery. Channel shift to self-service. Re-design services using quality data. Develop structured multi-agency partnerships. Right first time services to remove avoidable work.	Community navigator service established. Electronic payments system implemented. Customer Strategy approved. NYCC digital neighbours' scheme established.

**Risk Score 8**  
**Risk Code & Title 1617CRR\_007 Fraud & Corruption**


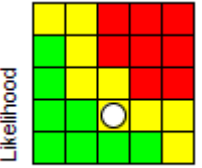
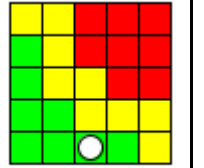
Risk Description	Original Rating	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	September 2016 Update
<b>Incident of fraud and/or corruption occurs within the Council.</b>	 <p>Likelihood</p> <p>Impact</p>	Financial and reputational loss.	 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	Karen Iveson	Counter fraud arrangements reviewed through annual self-assessment.  Counter Fraud and Corruption Strategy and Policy to be reviewed in 2016/17.	Overview of Counter fraud arrangements commissioned through Veritau following transfer of Housing Benefit Fraud to DWP Single Fraud Investigation Service.

**Risk Score 8**  
**Risk Code & Title 1617CRR\_010 Partnership Outcomes**

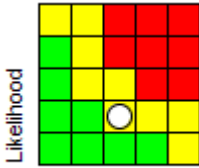


Risk Description	Original Rating	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	September 2016 Update
<p><b>Service delivery partnerships do not deliver outcomes to support the Council's strategic objectives.</b></p>		<p>Service performance falls short of expectations.</p> <p>Resources wasted due to requirement of additional management input.</p> <p>Strategic drift.</p>			<p>Keith Cadman</p>	<p>Identify all key partnerships.</p> <p>Clear objectives and outcomes specified and agreed for all key partnerships.</p> <p>Delivery plans in place and monitored.</p> <p>Remedial action taken promptly if there are signs of under performance.</p> <p>Arrangements reviewed at appropriate intervals to ensure partnerships continue to support the Council's strategic objectives.</p>	<p>Partnership toolkit produced.</p> <p>Register of significant partnerships to be produced.</p> <p>Review of each partnership to be completed.</p> <p>Action plans to be developed and reviewed.</p>

**Risk Score 6**

**Risk Code & Title 1617CRR\_009 Business Continuity**

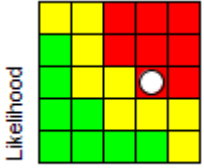

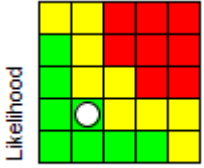
Risk Description	Original Rating	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	September 2016 Update
<p><b>Capacity &amp; resilience of our limited resources to maintain service delivery.</b></p>	 <p>Likelihood</p> <p>Impact</p>	<p>Delivery of services not owned by those responsible for leadership and management.</p> <p>Failure to deliver services in exceptional circumstances.</p>	 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	<p>Stuart Robinson</p>	<p>Draft corporate Business Continuity Plan complete.</p> <p>Corporate service prioritisation schedule complete.</p> <p>Business Impact Assessments for all Business Areas.</p>	<p>Business Continuity Plans currently in place at corporate and lead officer level.</p> <p>However, these will need to be reviewed and updated once new structure in place.</p> <p>To revisit at end of Q3 and update by end Q4. To be supported by a programme of engagement and awareness raising with new managers.</p>

**Risk Score 6**  
**Risk Code & Title 1617CRR\_013 Information Governance/Data Protection**

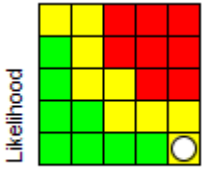

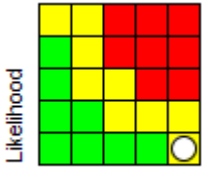
Risk Description	Original Rating	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	September 2016 Update
<b>Non-compliance with the Freedom of Information and Data Protection Acts.</b>		Loss or inappropriate use of personal data and information. Damaged reputation. Financial penalty.			Karen Iveson	Information governance action plan delivered to agreed timescales, including - policies and systems in place; training provided to officers and members. Breaches recorded, monitored and followed up.	There will be ongoing actions that will be monitored by the Audit Committee.



**Risk Score 6**  
**Risk Code & Title 1617CRR\_015 Assets**

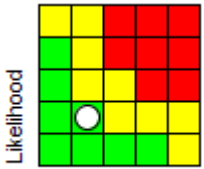
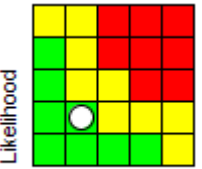

Risk Description	Original Rating	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	September 2016 Update
<p><b>Lack of a strategic use of assets.</b></p>		<p>Assets not used to implement Council's vision.</p>			<p>David Caulfield; Julie Slatter</p>	<p>Develop clear Council vision. Align asset management strategy to Council's vision.  Joint Strategic Asset review being undertaken with NYCC as part of the Better Together Collaboration.</p>	<p>Risk lowered on both axes due to new Asset Management Plan and joint work with NYCC Better Together.  The Council is currently restructuring with a view to enhancing and further developing its Asset Management Strategy.</p>

**Risk Score 5**  
**Risk Code & Title 1617CRR\_016 Failure to adequately respond to Civil Emergencies.**

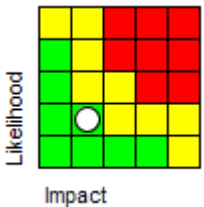
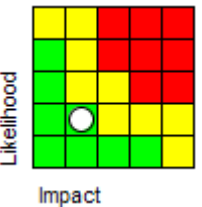
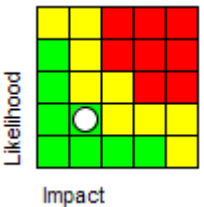
Risk Description	Original Rating	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	September 2016 Update
<p><b>Failure to fulfil statutory duties under civil contingencies legislation.</b></p>	 <p>Likelihood</p> <p>Impact</p>	<p>Failure to fulfil statutory duties under civil contingencies legislation.</p>	 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	<p>June Rothwell</p>	<p>Established partnership with NYLRF - North Yorkshire Local Resilience Forum) &amp; sub regional arrangements.</p> <p>Service Level Agreement in place with North Yorkshire County Council specialist Emergency Planning service.</p> <p>Plans embedded and successfully implemented for a number of civil emergencies and supported by regular review (formal review every 3 years).</p> <p>Training and testing of key elements of the plans is in place.</p> <p>Training and testing of staff response regally reviewed.</p> <p>SDC Command / response protocol structure reviewed quarterly providing a 24 hour, 7 day callout service.</p>	<p>Training and testing of key elements of the plans is in place. Reviewed by audit in (2014) outcome was high assurance.</p>

**Risk Score 4**

**Risk Code & Title 1617CRR\_011 Communications**

Risk Description	Original Rating	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	September 2016 Update
<p><b>Ineffective Communications internally and externally.</b></p>	 <p>Likelihood</p> <p>Impact</p>	<p>Lack of understanding of/buy in to corporate priorities.</p>	 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	<p>Stuart Robinson</p>	<p>Resources in place – with the right skills.</p> <p>Agreed approach.</p> <p>Alignment to corporate priorities and decision making.</p>	<p>Current resources secured until December 2016 and restructure proposals to extend beyond to March 2019.</p> <p>Additional capacity secured through Customers &amp; Communities Programme.</p> <p>New Head of Service providing stronger links with ELT.</p>

**Risk Score 4**  
**Risk Code & Title 1617CRR\_012 Policy Change**

Risk Description	Original Rating	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	September 2016 Update
<p><b>Inability to respond to policy change from a national and/or local level.</b></p>		<p>Mismatch emerges between statutory obligations and service delivery.</p> <p>Non-compliance with law or national policy.</p> <p>Inability to react quickly to changing local strategy, objectives or priorities.</p> <p>Inability to adequately resource changing local strategy, objectives or priorities.</p> <p>Impact of Brexit not fully understood.</p> <p>Impact on community cohesion.</p> <p>Opportunity of devolution deal not maximised.</p>			<p>James Cokeham; Stuart Robinson</p>	<p>Regular horizon scanning reports are considered by Leadership Team and dialogue is maintained with political groups to understand political aspirations and intentions.</p> <p>Corporate Plans are refreshed annually (and/or as the need arises) to enable flexibility to cope with national and local political change.</p>	<p>A cross-service working group has been established to fully comprehend the policy implications of the Housing &amp; Planning Act, and respond accordingly. The group is currently meeting on a regular basis.</p> <p>Separation of Corporate Policy function from that which supports housing, assets, planning, and economic development is under consideration as part of the new organisational structure to ensure focus on wider national/local policy issues that may impact on the council.</p>